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Review

The Man
At Tokyo

XXXVIII SEPTEMBER, 1941 No. 1

THE FAR EASTERN REVIEW

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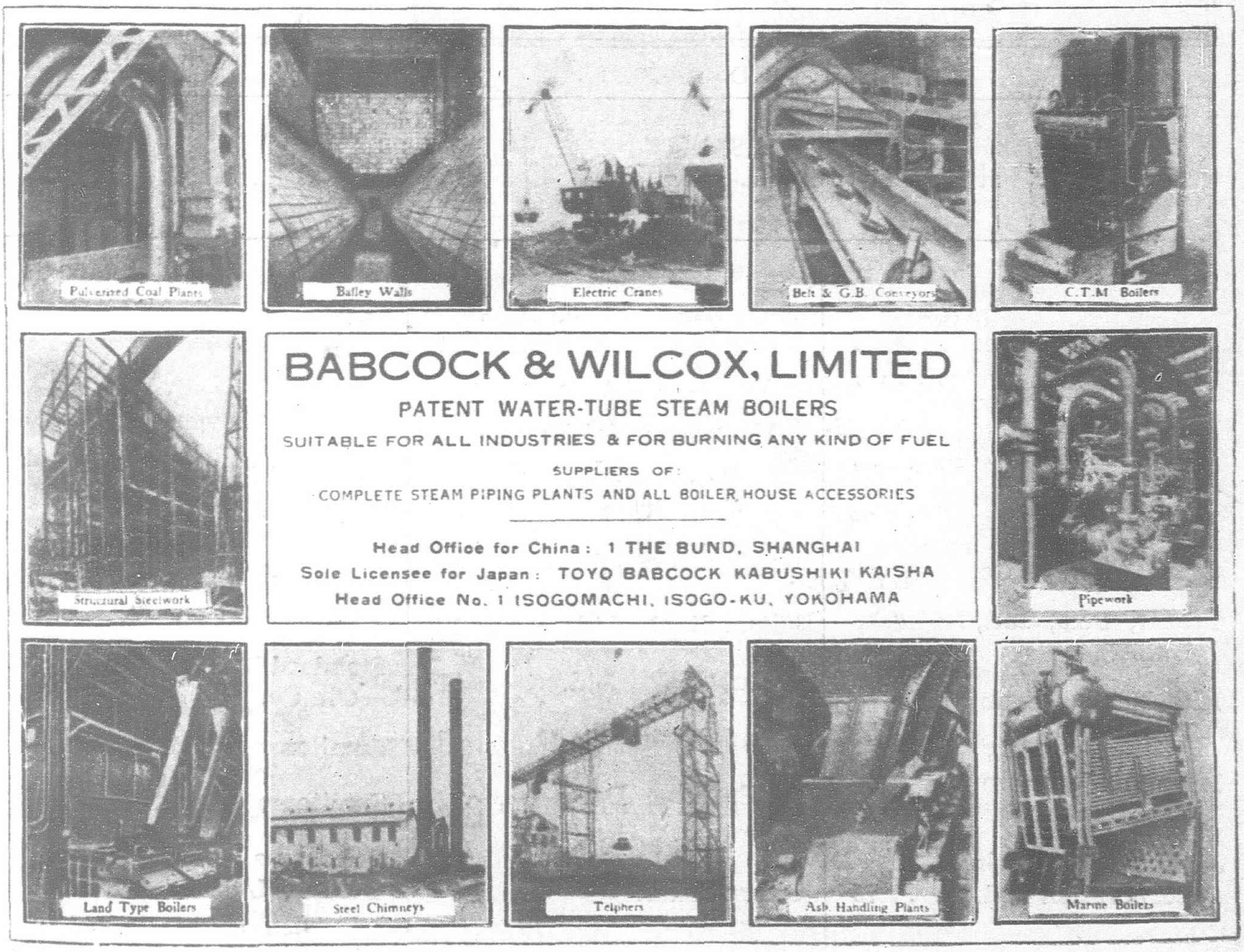

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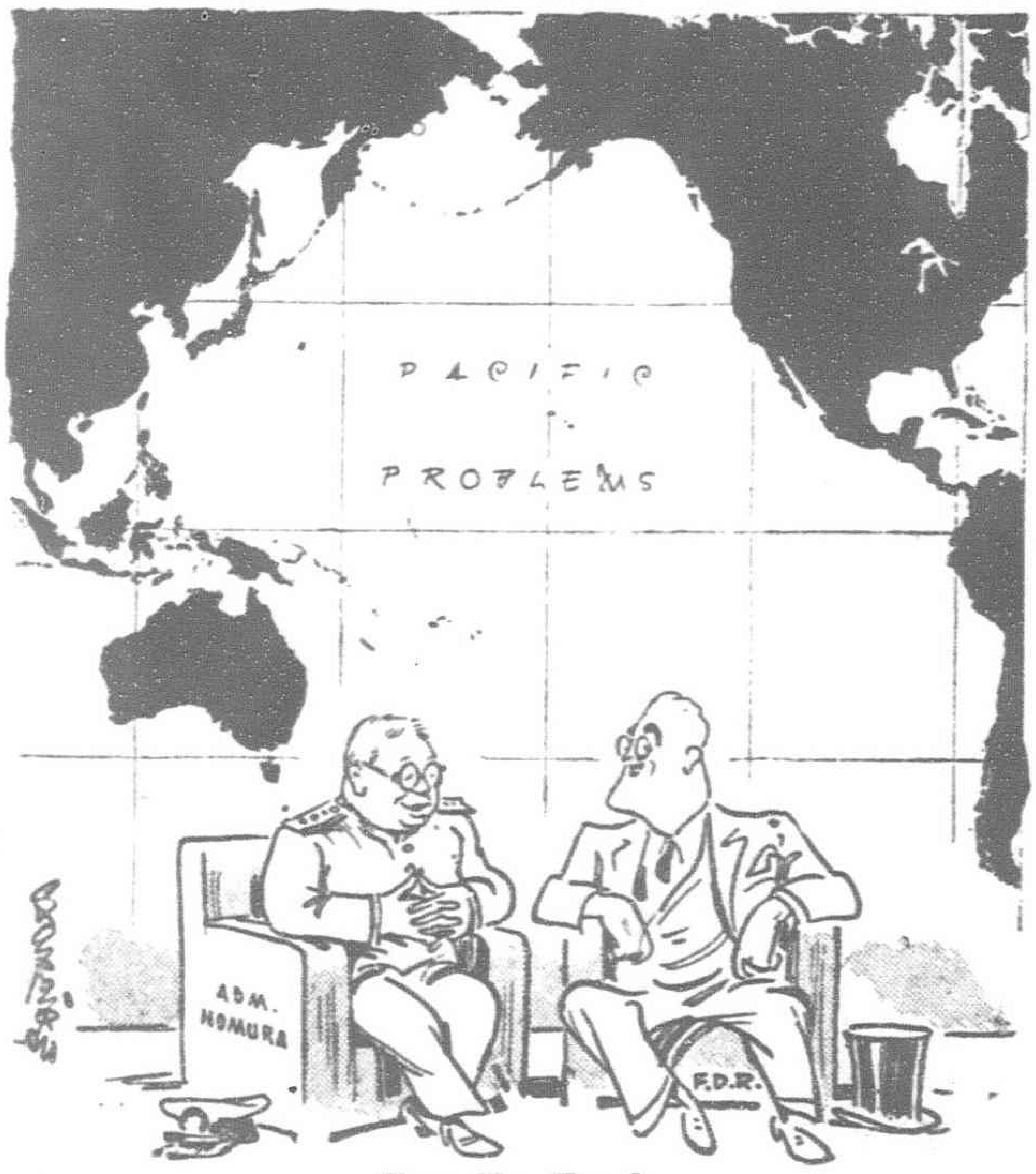
Confidentially Speaking

WAR'S pyrrhic breath brushed hotly over the Far East last month. It was a disconcerting but familiar sensation, for it has been with the Orient since time immemorial. Sometimes the heat stimulated progress and commerce, and men and their great companies waxed fat. But in the summer of 1941 there was no comforting warmth in the hot wind, for the cold kiss of death, destruction and chaos was close, too close around the nearest corner.



Eye To Eye?

The North-China Daily News.

In Washington, in Tokyo, in London, the lights burned late in the Embassies and foreign chancelleries as diplomacy made a last frantic effort before admitting failure. As ships scurried for cover from the impending storm, as men scanned headlines for some break in the darkening clouds, the awful momentum built up over a decade of intermittent bickering threatened to plunge the Far East, the United States, indeed the entire Pacific smack into the middle of the second Great War.

Then, wonderously, the tension of weeks duration eased a trifle; not sufficiently to justify ringing of churchbells, of course, but just enough to lift the stony weight that pressed all hearts. And thus, while the pall of uncertainty, insecurity, fear and apprehension continues, there is room at least for things to get somewhat worse before the breaking point is reached.

ONCE again the world fixed its attention on the Atlantic where an unsuccessful torpedo attack on the American destroyer Greer followed in quick succession by sinkings of American flag ships brought forth a speech from President Roosevelt that meant, in effect, war against Germany and Italy without formal declaration.

President Roosevelt announced that he had ordered the Navy and Air Force to halt Hitler's "campaign to control the seas by ruthless force" and American warships and planes "will no longer wait until Axis submarines lurking under the water or Axis surface raiders strike their deadly blow—first," but will shoot Axis vessels "on sight."

The President did not mention convoys or repeal of the Neutrality Act, nor did he define what America's "defensive waters" would be. But Americans and the world knew that unless Hitler undertook a quick and undignified retreat, Roosevelt's "shoot on sight" orders would make the United States indeed an active belligerent in the Battle of the Atlantic.

* * *

AS hope followed upon rumor and rumor followed upon hope, there was much to indicate that the United States and Japan were on the verge of a far-reaching agreement. Both Tokyo and Washington have admitted that a series of talks have been instituted to seek grounds for rapprochement and virtually the entire world is holding its collective breath for the outcome.

Quickly, there was indication that these talks were no ordinary thing. Prince Konoye, Premier for the third time since the start of the Sino-Japanese war, despatched a personal note to President Roosevelt through his Ambassador, Admiral Nomura, and the American President stepped in to undertake negotiations himself instead of leaving it up to the State Department.

America's position was clear. She would make concessions, yes, and she would recognize Japan's legitimate needs, but she would never compromise the moral standards which she has held aloft for so long. If an agreement was reached, it could not be outside the letter and spirit of the eight points of the Roosevelt-Churchill agreement.

Most of the compromising, then, would have to come from Japan, and many were not so sure that the powerful Army was ready to eat humble pie. Without Army support, whatever Konoye desired would be without meaning.

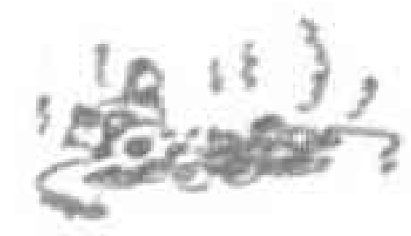
AT this juncture a remarkable news report was carried by United Press from Tokyo. Featured almost everywhere, it raised hopes, bolstered the financial markets and with its indication of the trend within Japan vastly increased the prospects of an understanding with the U.S. It read:

> Emperor Hirohito took direct command of Army Headquarters in what was understood to be a move for the purpose of securing close military collaboration with Premier Prince Fumimaro Konoye's Cabinet, which was reportedly trying to keep Japan out of war even if it means loosening Axis ties.
>
> Major developments were:—
>
> 1. Establishment of a new General Headquarters under General Otozo Yamada, Inspector-General of Military Education, the dividing of Japan into four military districts, with General Yamada responsible only to the Emperor.
>
> It was recalled that General Yamada was appointed President of the Military Academy previously where he contributed to the "re-education" of the radical young officers immediately following the May 15th incident in 1932. The new post and the new organization will assure the closest Army collaboration with the Government.
>
> 2. Prince Konoye appointed Mr. Fumio Goto to succeed Admiral Nobumasa Suetsugu as Chairman of the Central Co-operative Council of the Imperial Rule Assistance Association—which replaced all political parties.
>
> 3. The Emperor gave the Cabinet great prestige by entertaining them at lunch "in appreciation of outstanding services rendered the state" thus implying approval of the Cabinet's attempt to find a solution to Japan's problem of "staving off war."
>
> 4. The press continued to temper its criticism of the United States and the Chugai Shogyo Shimpo, which often reflects the present Cabinet's policies, stressed that new efforts towards a Japanese-American rapprochement should be made.

Clearly, the implication was that the Emperor himself was taking a more active part in swinging the Army behind the aims of the Konoye Cabinet. Japanese purists pointed out that the Emperor as head of the State has always been in complete command, that the Cabinet meets and lunches with the Emperor not infrequently. Perhaps the report had tried to read too much into significant actions.

But obvious to all was the tone that the press had taken. Gone was the bitter criticism of Anglo-American policies. Commentator Teichi Muto of the hitherto rabidly pro-German "Hochi" began a campaign for understanding with the United States. Most significant was a front-page editorial run by the "Chugai Shogyo," a commercial newspaper, which, as United Press said, "factually and in detail listed the economic and political effects upon Japan and the United States since Japan's adherence to the Tripartite Pact" in hinting that rapprochement is preferable.

Even the negative accomplishment, that President Roosevelt had failed to mention Japan in his latest speech excorciating Germany and Italy, was seen as a favorable sign.



MEANWHILE, Shanghai buzzed from a report traceable to important American sources, that the Chungking and Nanking Governments were close to an agreement which would enable the war in China to be ended. These rumors have popped up with monotonous frequency, but this time the source, plus information that both Tokyo and Washington knew, approved, and perhaps encouraged the negotiations, made it highly possible that something big was in the air.

To the casual observer it does not seem possible that Chiang Kai-shek and Wang Ching-wei could ever reach an understanding. But it is no secret that the two have important contact men in each other's camps and can communicate without difficulty. And this would not be the first time that rival Chinese leaders have decided to call off their hostility.

If Wang and Chiang could settle things, disposal of the question of the Japanese Army would be comparatively minor.

LIFE however, flowed on as usual with the customary array of little human tragedies and comedies. In Singapore a man was arrested and fined $25 for removing merchandise from a ship without a permit required by war-time regulations. The merchandise: 544 cases of firecrackers.

In Shanghai a letter-writer to the press complained plaintively that corpses were left on the streets too long after life had departed, but he neglected to deplore the conditions which make starvation a common cause of death.

In Washington the Department of Interior, Fish and Wildlife Service, issued a bulletin reporting that there is a much greater percentage of water in the muscular tissue of a horse than in muleflesh while the horse has it all over his smaller cousin when it comes to crude protein content. All of which, in these times, might be a subtle warning of things to come.

The closure of the Trans-Siberian railway, so far as receipt of merchandise from Germany is concerned affected the destiny of a 36-year-old Chinese druggist who decided to produce his own medicine in Shanghai. Unable to get new stock, he had his own formula bottled. But he made the mistake of labeling it "Forte Spermin, Paulun Fabrik, Made in Germany." He is telling his story to the judge.

AS August slipped into September, what has been regarded as the greatest man-made disturbance since Neanderthalic days continued to rage somewhere west of Moscow, north of the Black Sea, East of Berlin and south of the Arctic Ocean. It would be foolhardy to try to pin down the limits of the Nazi-Soviet battlefield to a more specific area for the respective high commands have authored a fantastic array of claims and counter-claims.

There was evidence, however, that Hitler's blitz troops were pushing deeper and deeper into Soviet territory, and paying an awful price for their gains. While the Kremlin made plans to settle down for a bitter winter campaign on bleak Russian steppes, Berlin renewed efforts to catch up with a now obsolete time table.

No fantasy, however, were words recorded in black and white and attested to with the seals and signatures of the Nazis and Communists. Two years ago on August 23, Germany and Russia signed a solemn treaty binding them for a period of 10 years to "refrain from every act of force, every aggressive action and every attack against the other . . ." In Berlin the Nazis gloated that France and Britain "groveled before the Kremlin" but failed to "encircle" Germany. A week later Hitler struck in Poland.

A year ago the German newspaper Der Angrif said that the "German Soviet agreement means peace in the east," while the Berliner Boersenzeitung commented "the pact makes a Soviet-German war impossible." Three months ago on the bright Sunday of June 22, Germany turned on the heat against the Soviet.

ALL this made bewildering reading for the man on Tokyo's streets. His cultural ties with Western Powers were closest with the Anglo-Saxon nations, and his prosperity was to a great measure in trade with Britain and the United States and their respective empires. But these nations with which he would love to be friends, somehow didn't return the affection.

So there was the Tri-Partite Pact, and after that another pact with Soviet Russia. And now the two friends of Japan had turned against each other while Britain and America engaged in a not so subtle economic squeeze play. If the abstract words "freezing of credits" did not make sense, the effect of the step did, for the Japanese, a manufacturing and seafaring people, could understand no trans-Pacific shipping, no more exports and imports outside the Yen Bloc.

Even so, persons other than Japanese discovered that economic pressure cannot be applied without a boomerang effect. In Shanghai the value of the Chinese dollar skidded downward and the cost of living index rose 5.59 in one month. The Industrial and Social Division of the Shanghai Municipal Council reported:

"Following the announcement of the freezing of Sino-Japanese assets in the United States on July 26, prices of rice as well as flour, oils, beans, sugar, coal, kerosene, cigarets, soap, matches etc., underwent another rise. Of the 52 commodities in the revised index, 7 remained even; 35 registered rises of from 0.23 to 72.48 per cent."

The stoppage of the import and export trade in Burma, Malaya, Borneo and the Netherlands Indies due to the freezing act has hit the native and Chinese populations the hardest, Japanese sources reported, the people suffering from shortage of foodstuffs and clothing and unable to make a livelihood from rice, copra and raw cotton sales.

In America there was a decided shortage of Japanese silk needed for parachutes, gunpowder bags, and not least important, silk stockings and lingerie. Cotton exports fell off and Pacific shipping, except for a few American bottoms plying between Manila, Shanghai and California, was practically nonexistent.

One American publication in Shanghai went so far as to name names, blaming Investigator A. Manuel Fox for the manner in which Washington's refrigeration policy backfired. Fox, despatched to the Far East as a currency expert, was charged with going off half-cocked on local matters which led to the present financial mess hereabouts.

SOMEWHERE on the wide expanse of the Pacific, lone tankers, heavy with fuel oil and aviation gasoline, plowed slowly through the swells Vladivostock-bound. Besides providing much needed fuel for the Soviet's war machine, these ships could be a test of the Japanese temper.

Washington denied Japan the oil and gasoline she needs so badly. Then she provided her own ships to carry that self-same oil to the Soviet Union, and those ships have to traverse waters controlled by the Japanese Navy to deliver their cargoes. Tokyo could easily seize the ships, confiscate the cargoes as contraband, or simply unload the oil and tell Washington to take the cost out of frozen Japanese credits.

Several points were involved in Japan's decision. She could take action, endanger herself and aid Germany, her Axis partner. She could adopt a passive attitude and refrain from hindering the Soviet, with which she has a neutrality pact. But she could not stand by for long and watch American arms and supplies strengthen the Soviet's position in Siberia while she is denied the same opportunity.

Tokyo decided to tolerate American shipments through her waters, even if it was through the 10-mile-wide Tsugaru Straits separating Japan from the Asiatic mainland. Obviously this tolerance would continue only so long as it would be profitable, and it would be profitable only if the United States eases economic pressure against Japan.

THE problem of American-Japanese rapprochement goes back a long way if one wishes to be technical. But there is a more convenient starting point, on July 27, 1941, the day after the United States froze Japanese credits and Tokyo retaliated. For from that time on there were obvious attempts to reach a *modus vivendi* until the time was more opportune for a permanent settlement. There is evidence that these talks were closer to settlement than Washington will admit, but after 15 or more conferences on both sides of the Pacific they were abandoned in stalemate.

In light of the broader aspects of the Pacific problem, things like the "Coolidge Incident" in which Japan refused permission for an American ship to pick up evacuees from Kobe, and the raising of import duties of canned crabs in the United States from 15 to 22½ per cent fade into petty trivialities.

Hanging in the balance are such momentous issues as the settlement of the Sino-Japanese war, Anglo-American recognition of Japan's economic needs and Japanese approval of the eight-point post-war aims formulated in the historic mid-Atlantic rendezvous by the Messrs. Churchill and Roosevelt.

High British and American officials have said in effect that one more step southward by Japan means war. Anglo-American-Soviet encirclement of Japan is by no means a figment of Tokyo's imagination. Japanese anxiety about the ultimate destination of aviation gasoline, long range bombers and war materials destined for Siberia is an extremely pertinent matter.

OUT of Vichy came a story that Great Britain and the United States had submitted offers to Japan to negotiate a three-point settlement as a consequence of the Churchill-Roosevelt conference. In these days it is no surprise to see a newspaper story with a New York dateline quoting a broadcast picked up by the B.B.C. relaying an item carried on the French program of an Australian station originating in diplomatic circles in Stockholm who have excellent connections with neutral quarters in Switzerland. For instance a Shanghai newspaper carried the following:

> *(United Press)*
>
> NEW YORK, Aug. 23.—The National Broadcasting Company yesterday picked up a German radio report from Japan alleging that mail communications between Japan and the United States had been cut off.

Seventy million Japanese knew that a month earlier.

BUT getting back to the Vichy story, the three points of the suggested settlement were:

> 1. Recognition of the Japanese right to expand southward provided that she confined her efforts purely to economic penetration, and made no territorial grabs.
> 2. Recognition of Japan's special rights in China, but with respect to the Nine-Power Treaty.
> 3. Efforts to help settle the Chinese war on conditions that Japan accept American mediation.

It is reported French observers were inclined to believe that the Anglo-Saxon powers would offer Japan assurances she would find all the raw materials she needs, including oil and rubber, in the Far East provided that Japan agrees to waive all territorial expansion and evacuates China and other occupied territories.

Trying to discover whether this proposition was put up to the Japanese, and how the Japanese will react is as difficult as finding an honest drink in a second rate Shanghai bar.

THE smokescreen of propaganda has obliterated many of the basic issues behind the Sino-Japanese hostilities. At times, due to expediency and other reasons, the emphasis has been placed on what were originally minor points. Still, there is little in the tangled threads of international agreements, tacit and formal; pacts, written and unwritten; alliances, undisguised and unrecognized, to give hope that peace would come to the Far East until either one side or the other lies prostrate. To many, it looked as if the niceties of reason were past, and like a back-alley brawl, only a fight to the finish could settle with certainty the right or the wrong of the affair.

But there was more optimism in the higher places and an air of expectancy followed when both Washington and Tokyo refused to commit themselves on Prime Minister Winston Churchill's revelation that:

> "The United States are laboring with infinite patience to arrive at a fair and amicable settlement which will give Japan the utmost reassurance for her legitimate interests. We earnestly hope that these negotiations will succeed. If these hopes fail we shall, of course, range ourselves unhesitatingly at the side of the United States."

No one would admit more than that "informal" talks were going on, but it was evident that the stakes were on an "all-or-nothing" basis. The time was far past for diplomatic froth-blowing; it was a matter of acute realities.

KEY to all the Far East's troubles is Japan's "China Incident" which even Tokyo admitted long ago had grown into full war proportions. After a settlement in China, the rest would fall into order almost automatically, like a Chinese puzzle whose secret has been solved. How to bring about Mr. Churchill's "fair and amicable settlement," fair and amicable to both the Japanese government and Generalissimo Chiang Kai-shek, seemed to be something impossible unless both sides made extensive climbdowns from their present positions.

Oriental pride and reluctance to lose face makes compromise a delicate operation. Neither side is near collapse, but then the

Anglo-Saxon bloc and especially the United States is in a tremendously advantageous position to exert pressure on both China and Japan. On Japan, there is pressure by economic boycott and military encirclement, both of which have progressed to some length. As for China, Uncle Sam has not only made all her military and economic problems America's own, but has even provided the Generalissimo with a diplomatic adviser. Here then, is a possibility, for the referee is no mere arbiter; he holds mortgages on both sides.

Of the three points brought up in the Vichy report, only the first would get unquestioned support from Japan. Tokyo has maintained consistently that her interests to the south are economic and not territorial or political. Even in China the Konoye Statement of 1938 denies ambitions other than economic.

The Nine Power Pact brought up in the second point is sure to be a stumbling block. It was ratified with Russia, then an impotent nation in chaos, completely left out of the proceedings. Now, however, the Soviet is a major power in the Far East. The infiltration of her influence in Sinkiang cannot be overlooked. Yet she is not bound by the Nine Power Pact which many authorities, Washington to the contrary notwithstanding, agree is outdated.

The crux of these proposals is in the Anglo-American recognition of the Far East as Japan's special sphere of influence and assurances that her legitimate economic needs will be supplied.

A decade ago this would have sounded noble indeed. Similarly, the eight points enunciated by President Roosevelt and Prime Minister Churchill would have carried greater hope if President Wilson's 14 points had not been outlined a quarter of a century earlier at the close of the war that was to end all wars.

The so-called "Have-Nots" can be excused for being skeptical of noble sentiments after once seeing similarly idealistic principles butchered by greed, vindictiveness and stupidity. They have no guarantee that the opportunities will be utilized any better this time. One can only sigh that the ideals expressed in 1918 are being expounded again, which is certain proof that they were not put into practice. It is civilization's tragedy that a second opportunity is needed to execute that which leaders of vision realized many years ago was necessary for lasting world peace.

IT is almost sacrilege these days to criticise actions of the Democracies, but several recent developments have such striking parallels in the Far East that it might be worth risk of censure to point them out.

Late last month British and Soviet forces invaded Iran because the Iran Government refused to expel "undesirable elements". It was contended that some 4,000 Germans in Iran constituted a danger to the British and Russian position, and the invasion was justified by London because "the Iranian authorities were not prepared to fall in with the urgent recommendations of the British and Soviet Governments."

Without going into the relative merits of the cases, there is a striking parallel between the British explanation and that put forward by Japan regarding occupation of China. But whereas Iran emphasised that neutrality would not allow for discrimination against any group of nations, it will be recalled that the Chinese admitted the presence of Soviet agents who, Japan claimed, endangered Japan's position.

Then there are the parallels between Iceland and Indo-China, the first occupied by American troops, the second by Japanese. In both cases occupation was accomplished only with the full approval and co-operation of the local authorities, no coercion was used, and defensive considerations were the only reasons forwarded.

Yet the British and American actions are held up as justified while what amounts to the very same thing done by Japan is roundly condemned. The right or the wrong of the matter is beside the point here, it is enough that we ask for the same set of standards in passing judgment in all parts of the world.

* * *

ONE would be naive to believe that ideals can supercede expediency when a nation's destiny hangs in the balance. Without doubt Britain was justified in the interests of self-defence in marching into Iran before the Nazis could make it their base of operations. The Democratic world understands and applauds a determined step. But it is hypocrisy to try to justify the action for any other reason, and to condemn similar actions by other powers.

This line of reasoning does not make sense to Japan beside pious protestations that

Britain and America will open the world's resources to all and that the two will police the globe as benevolent keepers of the law.

One would be wary too if the town constable were also its strongest and richest individual and who interpreted the law his own way when his personal interests were involved.

HOWEVER grim and earnest life may have been for the individuals involved, there was a smile or a grin to be had in odd corners of the month's newspapers.

Naga, the Philippines, reported the arrival of up-to-date morals when the town's first case of handbag snatching was reported. A well-known social worker, Mrs. Severina Frias, was the victim; her loss: the bag, eight pesos, some personal papers and several sweepstakes tickets.

In Tondo, near Manila, Patrolman Zacarias Villafuerte's agility saved him his life. The officer, according to newspapers, was fired on when he stopped a suspicious-looking character who turned out to be a notorious gangster. Quick as a flash, "the officer dodged the shot by jumping aside, then wrested the pistol away before the gangster could reload," the press reported.

At Tubao, a man was shot to death when mistaken for a pig on a rice and corn plantation. At Tagbilaran a woman was drowned while swimming in a river. Seven times in recent years people had drowned in the river, and each time people had seen a big fish in the water just before the tragedy.

In Manila the pictures "I Wanted Wings" and "I Want a Divorce" were screened together in a double bill, first show 9 a.m. And what are you in the mood for this fine morning?

THE CONSEQUENCE of indiscretion in giving vent to the belligerent spirit so prized in subjected European peoples were unfolded in a Shanghai courtroom this month with delectable frankness. The action took place in a bathroom, so the press dubbed it "The Bathroom Brawl." The principals; a Miss S. and a Miss C., both found guilty, and their respective families.

The Magistrate thought it was plain that Mrs. C. had assaulted Miss S., but on the other hand Miss S. should not have thrown a mug at Mrs. C. who appeared with a blackened eye and teeth-marks on her arm. Miss S. admitted having bitten Mrs. C. on the thigh and observed: "It served her right."

MORE significant of these troubled times, however, was a sign that blossomed forth in the city's tram cars to startle old residents. It was a message of pristine clarity, of child-like directness, of agonized sincerity. With the moral weight of a Commandment, the street car company reminded its squeezing ticket-collectors and their collaborators, the patrons, that:

"Honesty Wins Respect"

There seems to be a note of futility, a gesture of desperation, perhaps even one of resigned bravado in the printing and posting of those signs. Somehow the dastardly character of a ticket-collector's squeeze begins to take on significance, importance and stature, even beside the international real estate swindles now being perpetrated —and then one realizes that the overwhelming majority of those who patronize the trams don't speak English, much less read it.

OUTSIDE of persistent bombings of Szechuan Province and Chungking by both Japanese Army and Navy air forces, the outstanding development in the stalemated Sino-Japanese war was Japanese withdrawal from Foochow.

Said the Japanese communique:

> Japanese forces, through close military and naval co-operation, successfully embarked without meeting enemy opposition.

Said the Chungking Military Council in an official announcement:

> Japanese troops evacuated Foochow, Fukien capital, after being engaged in a severe battle fought at Tungkow and Foochow's immediate vicinity. The Japanese quit Foochow in a great hurry and the Chinese are inflicting heavy casualties on the retreating Japanese throughout the day.

Said Reuter, the only foreign news agency to report from Foochow:

> Withdrawal of Japanese troops from the city was completed by 4 a.m. and by 10 a.m., a force of Chinese militia, numbering

> some 1,000, had fully occupied the port. It is reported that at about 1.30 a.m. a Chinese militia advance party engaged the Japanese rearguard, in the vicinity of the West Gate, with casualties on both sides. This is the only recorded activity during the withdrawal operations. The situation here is now very quiet and all foreign residents are safe.

Most people accepted the Japanese explanation that the troops were withdrawn since the objective of their landing—to disrupt a supply route—had been accomplished. More important was the question: Where were the "tens of thousands of troops" evacuated on a large fleet of convoyed transports bound ?

TWO MINOR but notable stories came out of Tokyo on September 8. One of them was filed by the United Press and its first two paragraphs were as follows:

> "Mr. Gyokujo Hanzawa, editor of the 'Revue Diplomatique' writing in the 'Chugai Shogyo' today asserted that Japan 'under ordinary circumstances, should have already lost patience with America.'
>
> " 'Japan with her present fighting power, really has nothing to fear from America,' Mr. Hanzawa wrote. 'In a military light, now may be rather a capital opportunity for this country to liquidate relations with that country.' "

The other story was despatched by the Domei News Agency and its first two paragraphs read:

> "Mr. Gyokuzo Hanzawa, Editor-in-Chief of the 'Gaiko Jiho,' Diplomatic Review, writing in the 'Chugai Shogyo Shimpo,' widely-read commercial daily, on Japanese-American relations, bluntly declared that this is no time for criticism of the Government's policy of sticking to diplomacy 'up to the very moment of war.'
>
> "While Great Britain and the United States may be considered politically hostile to Japan, nevertheless relations are still on a diplomatic basis. Referring to oft-repeated assertions that Japan's diplomacy is based on the Tripartite Treaty, Mr. Hanzawa said that the Tripartite Pact aims at preventing the spread of hostilities and 'to put a stop to humanity's unhappiness.' "

These two reports appeared on the same page of a Shanghai newspaper. Both reports had to do with one man and one particular article he had written. It was an objective lesson on the folly of trying to judge the whole from a tiny sampling. As in the fable of the seven blind men and the elephant, one must see all to understand.

BY mid-month Washington reported that a "standstill agreement" had been reached between the United States and Japan whereby conditions would get no worse while both parties sparred around for a settlement.

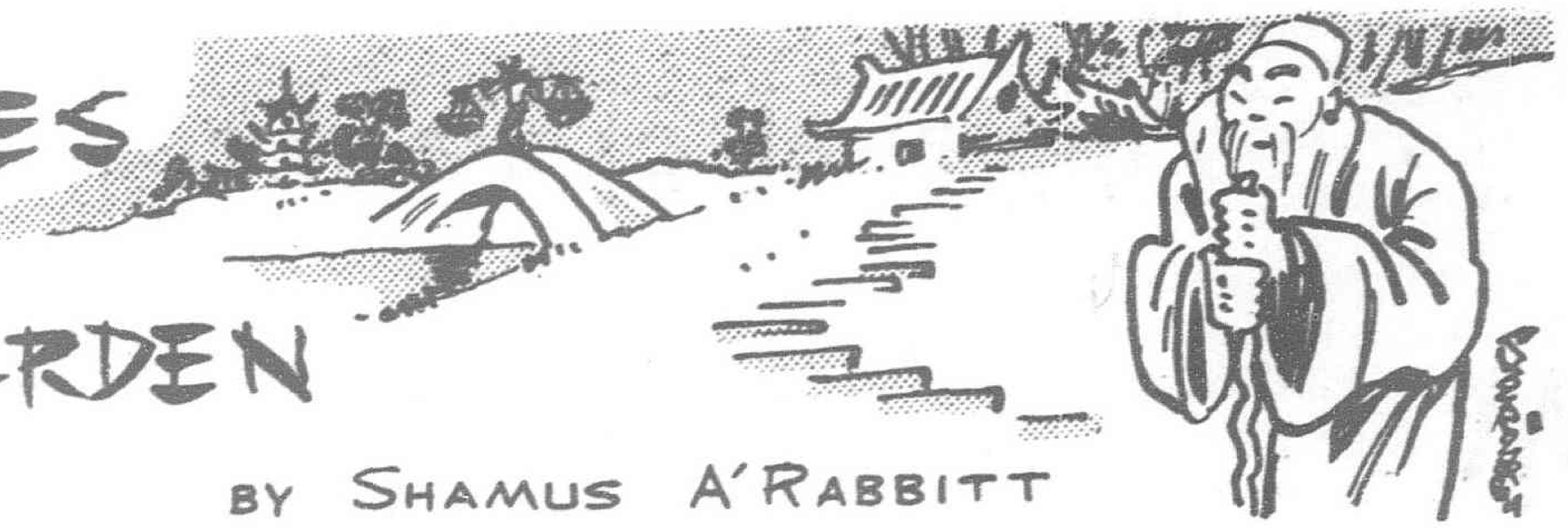
Almost simulataneously, as Chungking, London and other interested quarters began to express fears that Washington was about to make far-reaching concessions to Japan, a flurry of wet-blanket stories popped up in the press. Some sources claimed an agreement was near, others said no land was in sight nor was it likely to be.

On the diplomatic front as along the Russo-German war front, poor John Public didn't know what to believe. He could only read the signs and draw his own conclusions, but even the signs were confusing.

IN TIMES like these an item that drifts out from the University of Hawaii campus is most significantly appropriate as the end-piece of this section. It has to do with the shapely Dorothy Lamour who was interviewed by six budding journalists at Waikiki Beach about sarongs and hula skirts. Too typically journalistic, each of the reporters turned in his own version:

> 1.—"I like the hula skirt, but it's different from the sarong. When you walk the legs show through the hula skirt, but not through the sarong."
>
> 2.—Though perfectly at home in a sarong, Miss Lamour feels funny in a hula skirt. "Especially around the legs when you walk," said the actress, pointing to her shapely limbs.
>
> 3.—Asked whether she had tried the hula skirt, Miss Lamour replied that she had, but found it uncomfortable around the knees while walking.
>
> 4.—"A hula skirt feels different down here," she said, and she patter her legs. She declared she likes the sarong better.
>
> 5.—She finds the hula skirt allows more freedom of movement than the sarong.
>
> 6.—"The feeling you get from a hula skirt is quite different from that of the sarong," she laughed. "When you walk in a hula skirt your legs go through."
>
> So far as millions of males between 15 and 75 are concerned, it doesn't make much difference either way just so long as it's Miss Lamour within.

TEA LEAVES FROM LO PAT'S GARDEN



BY SHAMUS A'RABBITT

Contrasts between races
Are more apparent
Than similarities.

* * * *

Orientals
Pull their saws
Instead of pushing —
Write with a brush
Instead of a pen —
Remove their shoes
On entering homes —
These customs are unimportant
Compared with the fact
That Orientals respond to
Heat and cold —
Hunger and thirst —
Love, home and family
In the most approved
Occidental fashion.

* * * *

If we are fond of rank and ritual
It is difficult for us
To avoid hypocrisy

* * * *

If we are sensitive idealists
We dislike hurting the feelings
of others
To the point of not refusing
The extra drink which robs us
Of our ideals.

* * * *

We know not when
Life will go off
At a tangent
Creating new interests —
New friendships —
And a new lease
On the old shell
In which we walk.

* * * *

If the cocoon
Of our virtues
Is too unyielding
Our wings cannot spread.

* * * *

If a bridge is too heavy
If will fall of its own weight

* * * *

Government is a bridge
Between
Lawful and unlawful
Forces.

* * * *

Government overburdened
By laws is like
An Overloaded bridge.

Government overburdened by red-tape
Is like a bridge
Too heavy of its own weight.

* * * *

We forget money spent
For pleasure
Sooner than money lent
To a friend.

* * * *

The "Cosmopolite"
Who criticizes
A country
Or its people
About which
He has no
First hand
Information
Is a full fledged
Provincial.

* * * *

Civilization
Is measured by some
In works of art —
By others
In successful wars
And by poor devils
Like me
In getting along
With my neighbor.

* * * *

Altruism is suspect
In the Orient.

* * * *

Where the struggle for existence
Has been great for ages
It is difficult for people
To believe in altruism
Even though
They resent
Paying full price
For anything.

* * * *

We may smile
At the ancient idea
Of man's soul
Reincarnated
In beast or insect —
But —
It it not apparent
That we
Exhibit the characteristics
Of
A wide range
Of
The fauna
Of
The earth?

An Appraisal of Pacific War Factors

By IPPEI FUKUDA

MANY a new fashion has been set by the present war. Secrecy of an exceptionally profound type has become as inevitable these days as those absurd hats for women. Unfortunately, the much talked of message from Prince Konoye to President Roosevelt stands in line with the order of the day.

Asked by a Washington correspondent what it was all about, Admiral Kichisaburo Nomura, Japanese Ambassador to the United States, thought Secretary of State Cordell Hull knew better. Faced with the same query, Mr. Hull said he could not think of a more reliable source on the matter than the Japanese Ambassador.

Of course everyone knows without being told by either of the two high officials that the message, if successfully worked out through negotiations between Tokyo and Washington, will work wonders for the good of all countries in the Pacific areas. But not until the full text of the Konoye message comes to light can anyone explore with confidence into the scope and nature of the hectic parleys which are being held behind closed doors in the two capitals simultaneously.

In my following adventure into the unknown, therefore, a newspaperman's "hunches" will be the only guide.

As an observer of Japanese politics for 30 years, I am naturally drawn more to the genesis of the Premier's personal message to the Chief Executive of the United States than its contents. The point, I am afraid, may never be disclosed, but I can cite circumstantial evidence to support my curiosity. It seems to me significant, for instance, that President Roosevelt himself is conducting the negotiations on the American side while Secretary of State Hull is said to be playing only a subordinate role.

Such departure from the stereotyped practice of the American Government has been infrequent if ever in recent years and speaks eloquently for the very specific pedigree of the secret document which Ambassador Nomura delivered President Roosevelt by hand on August 28.

Any interpretation may be read into the well-guarded blank—I will come back to the point some day. All I can say now is that it virtually embodies Prince Konoye's last throw in an attempt to bridge the diagonally opposite stands of his country and the United States, and that its failure is sure to find him in the limbo of forgotten men *ad infinitum*. Nor is it difficult to see what it will mean to President Franklin D. Roosevelt to make a flop of the epoch-making experiment in rapproachement.

What The Navy Thinks

In all my writings since the first signs of stiffening of Japanese-American relations were observed in 1931, I have never gone back on my prediction that the tension would not end in war. Such scare headlines in the American press as "Fuse Burning Short" gave me no anxiety. "Competent observers" recently have held that with the iron ring of the united ABCD front closing in upon Japan, she might hit out in "harakiri" desperation. The remarks did not deprive me of sleep either. In holding to my persistent optimism, I am not necessarily relying on hunches alone; it is based to some extent on intimate knowledge of the psychology of the Japanese Navy—the way its leaders think and act under given circumstances.

For the benefit of various "competent" commentators" in Washington and London, it should be stated that the Japanese Admiralty does not palm off cocked hats on men who are foolish enough either to walk unawares into, or to be forced unresisting into a situation where "harakiri" offers the only escape. Japanese Naval leaders are nothing of the sort; they are, in fact, the most cool-headed, far-sighted men on the deck. If they are convinced that their country is better served by means other than war, they always prefer to stay in home waters.

The world has little doubt about the precision and weight of a Japanese broadside. The Japanese Navy believes in its own might, and what is more important, in its paramount value to the Empire. As American-Japanese relations deteriorated, Tokyo Navy leaders have redoubled their effort to ward off a showdown.

Let us get down to the bottom of the Navy's psychology. The robust refusal of the Japanese Admirals to defy the American fleet on the Pacific in face of increasing alarms and appeals from ringside spectators to "go it" seems to harbor basic considerations to support the "mark time" attitude. In arriving at the present policy, they could not have overlooked the unquestionable advantage of keeping the Navy intact. It is probable that they figured at some earlier stage of the current era what the world situation would be like after the return of peace.

Nothing short of drastic world disarmament some day, which in their opinion stands little chance of emerging from endless international negotiations into reality, would alter their position that Japan can always count on the respect of other nations largely by virtue of her Navy, intact and in fighting trim. In other words, so long as the Navy remains in good shape, it will continue to be looked up to as one of the most dependable guardians of Japan's prestige in her future relations with the rest of the world. One cannot eat one's cake and have it too.

Commenting on the comparative indifference of Japan to the "hang noose tightening around her neck," Mr. Alfred Duff-Cooper, former British Minister of Information, who has been to the Far East to report on the situation to the British War Cabinet, told the press in Manila that Japan had lost her opportunity by not striking south last year since the British position in the Orient had greatly improved. "Less than a year ago," writes Mr. Walker Matheson, author of 'The Australians Arrive,' "Japan, now entering her fifth year of war with China, easily could have walked into the Dutch East Indies, taking over Singapore, the Malay States and Hongkong, and completely cut off Australia and New Zealand from the rest of the British Empire."

Reasons Behind The War Talk

Now, judging from their impressive titles, there could be no doubt that both are very competent observers. What I want to ask of the eminent critics is whether the picture of a team of Japanese Naval staff officers at work, poring over maps and charts and moving pins bearing tiny Japanese flags up and down the Pacific Ocean on paper has ever occurred to them.

I cannot bring myself to believe that those Japanese tacticians have done nothing but look on the whole year of momentous changes. No, the key to the solution of the mystifying composure of Japan in general and her Navy in particular during the past twelve-month must be sought elsewhere.

But then I am not unaware of the fact that the ebb and flow of propaganda in the present war is so timed as to coincide precisely with the tide of war itself. Mr. Duff-Cooper may have had in mind the obvious advantages of boosting the bandwagon of general offensive in propaganda, started up by his countrymen and the democracies at the first signs of a protracted war between Germany and the Soviet Union.

A more recent barrage of press reports alleging Japan to be on the eve of sneaking out of the Axis camp is regarded by most Japanese observers as part of the game. It is also pointed out that unless Prince Konoye has reason to resent lack of loyalty on Germany's part or sees failure to reciprocate his people's faith in the Tripartite Alliance of September 27, 1940, he has neither the right nor the power to devise any of the alleged detours from the Treaty and the obligations imposed as Germany's Axis partner.

Japan's interests to the south are said to center on oil, the problem of acquiring adequate supplies being a great determining factor of future policy. Her presence in French Indo-China is an unmistakable portent. Closer contact with the Netherlands Indies through some sort of agreement with the Dutch Colonial authorities appears to me a foregone conclusion. Further friction, if not outright hostilities with the British possessions hemming in the Archipelago, may threaten should the negotiations run into difficulties.

Here again, I believe the Japanese seadogs will not show their teeth. To avert a clash with Third Powers during the second World War seems to represent the sum total of their logic.

It looks like an almost foreordained formula. When an incident involving Japan breaks out in China, it is always the Army's job while strained American-Japanese relations as inevitably send for the Admirals. Thus, in spite of the war in China, we find Admiral Teijiro Toyoda sitting at the head of the Foreign Office and Admiral Kichisaburo Nomura representing Japan in Washington as Ambassador. The latter is said to have held as many conferences with President Roosevelt and Secretary of State Cordell Hull in the American capital as the former did with Mr. Joseph C. Grew, American Ambassador in Tokyo.

A Complete Black-Out

So far neither side has divulged what their frequent talks are about. On August 18, Ambassador Grew was closeted with Admiral Toyoda for more than two hours at a stretch and all the press could garner from the Foreign Office was the weak indication that Tokyo's refusal to allow the S.S. President Coolidge to call at a Japanese port to pick up 100 American nationals may have been the topic of discussion.

Ambassador Nomura called on President Roosevelt on August 28 for the specific purpose of delivering him Premier Konoye's personal message, but even veteran Washington correspondents were put on a false trail, button-holing the Japanese Ambassador regarding American shipments of oil to Vladivostok. Amusing as the sideshow is, it illustrates the extreme precautions taken by both Tokyo and Washington to forestall any attempt at sabotaging the negotiation.

The first hint of the problems under discussion between the two Governments was given by Ambassador Nomura when he observed to the press after he conferred with Mr. Hull on August 23 that there was hope for bridging American-Japanese differences. "I have a strong conviction," said he "that it will be done, but I don't know just how. We spoke not as diplomats but as one man to another. Mr. Hull outlined the position of your Government which we know well. I outlined the position of my Government," he said.

Reading the press report, I felt that the agenda of discussion might be broader than generally had been thought. Personally I regard it not altogether a bad idea for the two Governments to concentrate on some easily bridgeable creeks rather than to negotiate vast, precipitous cliffs. It should be easy to see that once they start arguing about the letter and spirit of the Nine-Power Treaty vis-a-vis the China Incident, for example, they would be found talking far, far into the night without coming to terms on any issue. Mr. Hull would surely invoke his pet axioms which he has repeated one hardly knows how often.

I propose that the entire range of ideological discrepancies be reserved for examination in a saner atmosphere than the present. The American position that no alterations brought about by force or threat of force will be recognized would defeat its own purpose by becoming a dangerous tool of intervention in any part of the globe. No country can rightly blame the United States for withholding recognition to Manchoukuo. She is acting perfectly within her rights. Suppose, however, she favors taking steps which militate against vital interests of the new country. Theoretically such a course can only lead her into the group of "aggressor" nations she has steadfastly condemned.

What I mean to say is that contentions of the sort are sure to so litter the conference table that negotiations will collapse under their very weight. Early in September, my wishing for a simple, realistic deal was cut short by the following news bearing a Tokyo dateline:

> It is possible, however, to specify that the present phase of the negotiations started immediately after the failure of the first phase in which the Japanese Government's efforts were directed at establishing a simple *modus vivendi* which would temporarily assure a resumption of Japanese-American trade and strictly limited financial transactions. . . . It is understood that the American Government clearly informed Japan that it was no longer interested in the conclusion of a mere *modus vivendi* owing to the temporary and limited character such an agreement would have.

Havas Telemondial news agency ascribed the foregoing to an "unimpeachable source." At any rate, the report had a ring of truth when I read it. So the American Government has made up its mind to deal with Japan in a truly American manner—in a big way. I am yet to be convinced that the reported decision was a wise one.

Cotton Exchange Halted

Hit by American freezing of Japanese assets, the Tokyo Cotton Exchange decided to suspend transactions as from September 1. All trade in raw cotton, cotton yarn and cotton cloth has been ended.

The decision was reached by traders in a conference with representatives of the Commerce and Industry Ministry. Sueo Kato, chairman of the Osaka Cotton Exchange, and Hanshichi Toyoshima of the Nagoya group, outlined the situation to Yajiro Ishida, chief of the Commercial Section of the Commerce and Industry Supervision Bureau.

With American-Japanese shipping as well as financial transactions paralyzed, it is not known when trading can be resumed.

The Fates at Work in Washington and Tokyo

By WILLIAM HOSOKAWA

DECISIONS which may well affect the destiny of the entire Pacific Basin for the next half century are being made in Washington and Tokyo as this is written. So far not the slightest hint as to the nature of the talks going on toward solution of American-Japan differences has been allowed to leak out of the chancelleries, but certain indications arouse hopes that the ultimate result will be, in the classical phrase, "nothing trivial."

The day when a temporary working agreement could settle American-Japanese issues is long past. Ten years of intermittent bickering have brought the problem to a head, and only a fundamental settlement which will sweep the board clean will remove the threat of immediate war and allow restoration of normal relations.

Without hazarding a guess as to the outcome of the negotiations, for the prognosticator faces refutation even before the forecast appears in print, a study of backgrounds and certain effects resulting from certain causes may be profitable.

The present phase of American-Japanese relations can be dated from July 23 when Japan announced she would occupy bases in French Indo-China. The immediate reaction was joint American-British-Dutch freezing of Japanese credit balances, and with Japan retaliating in the same manner all commercial relations between Japan and these countries were at a complete standstill within a few days. Since the United States is taking the lead in these moves, however, Britain and the Dutch may be dropped from consideration in this article.

It is scarcely valid to ascribe a motive to an action when one cannot be sure that the motive existed. Perhaps the American freezing of Japanese credits was meant to do more than simply paralyze trade. At any rate the mutual freezing reacted like a bucket of ice water dashed on a pair of fighting dogs, for the war-fever in many super-heated circles on both sides of the Pacific suddenly cooled off. Hitherto most outspoken exponents of settling American-Japanese differences by force, once and for all, viewed the problem more soberly as paralysis of commerce foreshadowed the awful cost of a shooting war.

The Ice Age In Commerce

So far as trade is concerned the Ice Age has descended over the north Pacific Basin. The ice pack in the Arctic has squeezed through Bering Strait and drifted across the trade lanes putting an end to the hitherto lucrative and vital commerce.

The action has brought home sharply, despite the bravado on both sides, that the intricate, delicate, highly complicated mechanism of modern economic society can be thrown into hopeless chaos by relatively simple steps. And, as the full significance of a paralyzed Pacific trade became felt, the chronic saber-rattlers, drum-thumpers and hate-fomenters on both sides of the ocean have lost a great deal of their truculence. In effect both sides have found a chance to count to 10 before taking off their coats to settle things by force.

Under these circumstances it was logical that steps should be taken for a mutually agreeable settlement. With both sides reluctant to force an open break an attempt at rapprochement was the natural course. Both too were fortunate to possess envoys of ability who could command respect and confidence in the capitals to which they were accredited.

When the complete story of the diplomatic struggle to reach an understanding is revealed it will no doubt be an exciting tale of intense conferences, of generous give-and-take, of an internal battle in Japan between rival groups for political supremacy and in the United States over policy. Surely the determination of the Third Konoye Cabinet to risk all in a rapprochement effort will be revealed, and perhaps the attempted assassination of a senior Japanese statesman early in August will find a logical connection with this struggle.

It is no longer a secret, however, that immediately after the American freezing order, a series of perhaps 15 conferences were held in both Washington and Tokyo to reach a *modus vivendi.* No fundamental agreement was envisaged—it was a matter a working agreement so that trade would not be choked off entirely and vital cargoes of oil would move westward and almost equally important shipments of silk would move eastward.

A Period of Parleys

That these talks collapsed was strong indication that the United States was in no mood for stop-gap settlement. The fact that a new series of talks was started is indication that America won her point in insisting that any agreement would have to start with the fundamental differences that have clouded U.S.-Japan relations. It is only natural to conclude that Premier Prince Konoye would not address a personal message to President Roosevelt, nor would Mr. Roosevelt, one of the world's busiest men, undertake personal conferences with Ambassador Nomura, unless there were promise of far-reaching settlement.

It has long been obvious, despite Chungking's ill-disguised concern, that the United States is not going to abandon or compromise the principles of international morality she has risked war thus far to uphold. Wishful thinkers in Tokyo may not realize this but the government would not be worthy of its name if it were similarly deluded.

In both the United States and Japan, however, efforts to gauge public opinion prove to be confusing.

In a recent survey the Gallup Poll asked Americans the following:

"Do you think the United States should now take steps to keep Japan from becoming more powerful even if this means the risk of war with her ?" Seventy per cent answered yes, 18 per cent no and 12 per cent were uncertain.

This makes it appear that an overwhelming majority is in favor of warring on Japan should she take further steps to extend her military hold. But on the other hand it has been a constant theme with American writers that the further Japan extends her lines of communication the more she weakens herself.

Then again there is the apparently contradictory result of a poll regarding American convoys for goods to Britain. The results announced early in September showed that only 52 per cent favored American convoys, 39 per cent were against them and nine per cent had no opinion. The identical question asked in July showed 56 per cent in favor of convoys.

Taking The Public Pulse

Thus, according to the Gallup Poll scarcely more than half the American people favor American convoys to Britain, an act still several steps from war, while 70 per cent are willing to risk war with Japan to prevent her from becoming more powerful. In view of the relative importance of the threats to American security from Asia and Europe respectively, one wonders to what extent emotionalism colors general American judgment of the Far Eastern situation.

Another interesting poll was conducted by the magazine "Editor and Publisher", the organ of American journalists. A questionnaire was sent to each of 1,878 daily newspapers in the United States and the answers tabulated regardless of the comparative circulations and prominence of the individual newspapers. On the question of immediate war, the nation's editors voted more than two to one against such action. The three war questions and answers were:

1. Do you favor immediate active military and naval participation in the war? Yes, 250. No, 615. Unanswered, 44.
2. Do you think the best interests of the United States will be conserved by avoiding conflict? Yes, 512. No, 316. Unanswered, 56.
3. Do you favor seizure in the interests of United States defense of strategic bases owned by foreign powers? Yes, 589. No, 228. Unanswered, 71.

It must be explained that the present Far Eastern crisis had not yet developed when the poll was concluded. The occupation of Iceland was an accomplished fact, however, and it was also known that American naval vessels were patrolling the sea lanes from the United States to Iceland.

Trying to gauge opinion in Japan proves quite as confusing. Generally the bitter anti-Anglo-American attitude has disappeared from the press and one gains the impression that there is a swing the other way. The seemingly reluctant tone in these efforts can be explained by the impossibility of a complete and sudden *volte-face* from a policy maintained for a considerable time.

The trend can be seen, however. On September 2, Retsu Kiyosawa, widely known liberal political commentator writing in the

"Chugai Shogyo" a commercial newspaper, urged in an obvious reference to the United States that Foreign Minister Toyoda "add a little more bargaining—give and take—to his diplomatic dealings.

Other Signs

A few days later Teiichi Muto started a campaign in the "Hochi" newspaper favoring a Japanese-American understanding and urging Japanese public opinion towards moderation. The campaign came as a complete surprise as the "Hochi," until recently purchased by the "Yomiuri" had been strongly pro-German and Muto himself had been considered opposed to the Anglo-Saxon bloc.

Even in the much-publicized speech by Colonel Mabuchi, Army spokesman, declaring that Japan would smash A-B-C-D encirclement, the sensation-seekers overlooked the fact that this drastic action was urged "only after all diplomatic efforts have been exhausted."

Meanwhile American tankers loaded with aviation gasoline so much coveted by Japan traverse Japanese waters on their way to Vladivostock. Tokyo has no guarantee that this fuel will not be used against her some day, either by the Soviets themselves or Chungking, but outside of the first verbal outburst she has taken no steps to prevent delivery.

The Chinese press in Shanghai has suggested that Germany created the "Greer Incident" in which a submarine fired on an American destroyer off Iceland, to force Japan's hand in the present Washington negotiations. The Japanese press is agreed that it will be only a matter of time before the United States is in the midst of shooting war.

Yet, most significantly, practically nothing is being said in the Tokyo press these days of Article III of the Tripartite Pact which requires that Japan enter the war on Germany's side should she be attacked by a power not now involved. At other times, it will be recalled, great stress was put on this particular portion of the Axis pact.

While these incidents in themselves may be but straws in the wind, the significance lies in that expressions favoring friendship with the United States are appearing once again. No longer are these thoughts expressed in private circles alone, nor are they merely lone voices in the wilderness.

Since the outcome of the negotiations is likely to be known before this reaches the public, it serves no purpose to make any forecasts. Suffice it to say that all outward signs are most favorable for some sort of understanding that will not only ease the tension between the United States and Japan, but will go a long way toward settling the root of all Far Eastern troubles, the Sino-Japanese war.

If the negotiations fail the Orient, in fact the whole world, can expect still darker days ahead. On the oher hand success will be a triumph, not only for the individuals and the nations involved, but for the forces of peace, for common sense, and for diplomacy in a give-and-take spirit as the method of settling international differences.

A settlement which will lead to the end of the Sino-Japanese war, and the solution and clarification of such long-pending issues as Manchoukuo, the New Order, and Japan's southward expansion policy cannot but open the way to the era of peace and mutual prosperity and progress so long overdue in the Far East.

Millions of humble people are hoping that the second President Roosevelt together with his able colleagues can bring peace to the Pacific, even as the great Theodore Roosevelt helped bring an end to the bloody Russo-Japanese war.

China Tobacco Firms Merger

All Japanese tobacco companies in Central China will be merged into one large firm, tentatively named the Central China Tobacco Company, at the beginning of October, according to Japanese sources.

The new firm, capitalized at Y.30,000,000, will have its head offices in Shanghai and will come directly under the control of the Central China Liaison Office of the Asia Development Board.

Six leading companies will amalgamate immediately. They are: Toa Tobacco Leaf Company, Toa Tobacco Company, Central China Branch; Kyosei Tobacco Company; Koa Tobacco Company, North China Tobacco Company, Central China Branch; Wuhan Hwasheng Tobacco Company.

Other smaller firms are expected to join later. Unity of production and quality are said to be the reasons for the merger.

Rising Barometer in the Pacific

By C. J. Laval

IF a mere bystander may venture a guess about the future course of events in the Far East,—and on this slippery subject the guess of a bystander is as good as the next—the omens, darkly ominous in some aspects, on the whole carry some faint indication that the grave problems that have been created in the Pacific may yet be solved before the worst happens. The international differences that lead toward war in this part of the world superficially appear to be irreconcilable; still a means may be discovered in the chancelleries at Washington and at Tokyo by which adjustments and some promise of peace at length may be achieved.

The whole situation through the past year has hinged on developments in the great conflict in Europe. A change of tremendous importance in the course of that conflict, that instantly was reflected in the Far Eastern situation, took place some three months ago when the German Reich turned its great war machine against the Russian Soviets. It is probable that this event marked the turning point in the European war, the event that will decide the ultimate outcome of the great struggle. With the passing of time this appears to grow more evident and, in the light of what has been happening in Russia in recent weeks, it begins to seem likely that future historians will write that Germany lost the war when Herr Hitler attacked the Soviets.

The German hope to subdue Russia in a swift campaign of sixty days now definitely has been shattered by Russian resistance and even if German armies score more victories in a continued advance and capture both Leningrad and Moscow, it is certain that a long difficult winter campaign looms before the Reich. A great portion of the German war machine must now be diverted into Russia and be held there through the bitter Russian winter while daily the British armed might, nourished by the immense resources of the British Dominions and of the United States, on sea and on land, is strengthened.

These recent developments appear to furnish a compelling reason for the diplomatic exchanges between Tokyo and Washington, and for conferences that have been going forward in these capitals. They may also supply a cause for a general reorientation of Japanese policy, which, in fact, appears already to be taking place.

Through the past decade Japanese prestige in the estimation of the Western democracies has been shrinking to ever lower levels. As suspicion of Japanese motives mounted through this period at Washington and in London the Anglo-American governments have imposed one onerous restraint after another to impoverish and weaken Japan. Then, frustrated and seeking escape from utter isolation, Japan fell from grace entirely in Anglo-American eyes by entering into alliance with Germany and Italy. This action rang a real danger signal at Washington and in London; the possibility arose abruptly and menacingly of a new war in the Pacific. It was realized that this might be disastrous for Britain in Europe and that quite possibly a war in the Pacific might prove to be the factor that would determine the outcome of the main conflict in Europe.

A Questionable Policy

From the time that Japan entered the tri-partite alliance with the Axis powers, in the eyes of many Japanese the treaty was a document of dubious value, and there were those who professed to foresee that in time the Agreement must fall of its own weight. This viewpoint has been immensely strengthened by the course of the fighting in Russia in recent times. If the Russian forces can hurl back the German invaders, or even if the Russians can slow down and delay the German advance—and Russia appears as this is written to be accomplishing this—then assuredly Germany must be weakened and her defenses in western Europe among sullen hostile populations of conquered lands must become ever more endangered, inviting the British onslaught on the continental mainland for which preparations now are being speeded. It is argued that a Germany at war on two fronts, confronted by such problems cannot have in Japanese eyes any important value as an ally.

On the other hand, in the unlikely event that Germany should achieve a quick and complete victory over the Russian Soviets and maintain successfully German defenses in western Europe, it does not follow necessarily that this would prove advantageous for Japan. Japanese statesmen already see other sinister possibilities in such a situation. If Herr Hitler can conquer Russia he will acquire immense new resources, and he can exploit these with a less advanced and perhaps more docile population than those in the conquered countries of Europe. Japanese statesmen who have followed closely the course of German expansion throughout Europe may well ask themselves, if Herr Hitler conquers Russia will he be content to halt at the Urals? If European Russia once is held in Hitler's strong grasp, will he leave untouched the vast riches eastward through Siberia, or allocate these to Japan? Through his march of conquest the German Fuehrer ever has been consistent. What reason is there why he should change methods or purposes? It has been made clear that the benevolent purpose of the rulers of the Third Reich is to confer the blessings of National Socialism on the whole world. On a triumphant march through Russia why should Germany even pause at any point, and if Germany should march on to tidewater at Vladivostok, what sort of neighbor would Japan then have?

These are questions that may enter into the subject matter of the American and Japanese conferences. No inkling has been given of the contents of the historic communication that the Japanese Premier, Prince Konoye, addressed to President Roosevelt. At a rough guess it might be surmised that the Japanese Premier in his message may have pointed out to the American Executive that for an individual, or for a nation, it is pleasanter to commit suicide than to be strangled.

It is the desire and the aim of Great Britain and the United States to wean Japan away from the Axis alliance. The Americans have been doing the talking for the Western democracies at the parleys with the Japanese and assuredly they have a sound argument to support the Anglo-American aims in dealing with the Japanese.

Weighing The Situation

If the Germans win this war, the American conferees may say to the Japanese, you will have no concrete assurance that such a victory will be advantageous to the Japanese Empire. You will then merely face a new problem, probably a new war. But the Germans will not win this war, it will be urged, and when Germany loses the war, not only will Germany's value as an ally evaporate, but Japan will find herself in Germany's plight and will confront an unfriendly world no longer preoccupied with an European war.

In many Japanese ears these arguments already are conclusive, and it is pointed out that to avoid post-war complications it behooves Japan to act now while she still has the opportunity.

The crux of the whole Pacific situation lies in China. There can be no peace in the Far East, no approximation of any return to normal conditions in East Asia until the conflict between Japan and China is ended. How this end so greatly desired may be achieved is a problem that defies conjecture. In China all national interests are at variance to such a degree that a settlement of the Sino-Japanese conflict, satisfactory to all concerned, seems to be and undoubtedly is impossible of attainment.

In China, Japan wants, not territory, but access to Chinese markets and raw resources, which the Chinese themselves never have exploited save in a primitive way. This implies a form at least of control, essential in Japanese eyes, because the Chinese traditionally ever have been truculent and disorderly neighbors, envious of Nipponese progress on the world stage. Japan deems that she must have these things for her home industries that insure survival of an expanding population denied admittance to other parts of the world.

Great Britain, whose interests in Asia now more or less are merged with those of France, demands security for her vast Far Eastern holdings and she desires in China expansion of her commerce and enhancement of British prestige and political influence.

In China the United States wants to do a little business, to be sure, and wants also American missionary and charitable activities to be unimpeded, but most important, having adopted China as her own special protege, all clothed in the garb of a real democracy, she insists that all concerned must play in their own back yards and in this naughty world be very well behaved indeed, whatever provocations may be given by her ward.

Russia desires to recruit the Chinese nation into the ranks of the United Union of Soviet Republics and then, through native Chinese soviets, to dominate the country with the end that in time the Chinese people may be prepared to participate in the World Revolution to the glory of the great unwashed proletariat.

China herself declines to assent to any of these programs. In the winter of 1922-23 Santa Claus, enacted then by Uncle Samuel, bestowed on China a wonderful Christmas gift which was called the Nine-Power Treaty. Under the terms of this treaty China was licensed to behave as she pleases without regard either for the comfort or security of bystanders or neighbors, or anybody else. And China was amply protected under the terms of the same treaty from interference or any reprisals from without. So China wants the general license and safeguards of the Nine-Power treaty extended and amplified, leaving her to her own devices and enabling her at length to put the foreign devil in his place so that every Spring about the time the American baseball season is opening she may engage freely in her own traditional national pastime of waging civil wars all over the land.

How To Solve The Problem

It is obvious that it is impossible to reconcile all these clashing purposes, but not until they are reconciled and not until the Sino-Japanese war is ended and the whole China question solved, can any semblance of tranquility be restored in the Far East. Possibly a solution of it all may be discovered in some other part of the world.

The recorded history of humankind discloses no instance or period when a single central government successfully imposed authority over as many as four hundred million people. The nearest that mankind has come to this is seen today in the British Empire, but the component parts of the Empire rule themselves. Behold the part being played today by the Irish Free State! In the light of history, therefore, it would appear that a national government of China, an entity that never yet has functioned, is no more a possibility than a national government of Europe.

The Swedes and the Finns are close neighbors, but they are no more alike than are, for example, the Kompo people of the Yangtsze Delta and the inhabitants of the Ningpo region in the nearby neighboring province of Chekiang. These groups in Europe and their counterparts in China geographically are adjacent, but they all differ in manners, customs, outlook and language and neither those in Europe nor those in China willingly would yield administrative subservience to their neighbors.

It may be said, in fact, that in culture, customs and language the many peoples of the countries in Europe are more closely knit and more nearly approach unity than do the numerous ethnic groups of China. Europe, therefore, presents a simpler problem than China for those optimists who dream of centralized governments for such vast continental areas and their hundreds of millions. Through centuries Europe has been torn by internal warfare ever growing in destructiveness and scope until it has come to involve the whole world. In only a lesser degree this is true of China.

Yet another time are the peace-makers girding themselves in preparation for the coming solemn assemblies that will attempt again to shape a form of administrative authority for Europe, an effective control that will insure at length a cessation of all conflict. If it should come about that these peace seekers evolve a formula to realize their aims, it should be preserved carefully and applied in China, for China long has been suffering from the same malady that afflicts Europe.

It appears to be the settled conviction of the peace-makers of the present day that all blame for the European turmoil rests with a certain Teutonic individual wearing a tooth-brust moustasche. Twenty years ago the culprit then alleged to be guilty was another Teuton with a different form of hirsute adornment. The judgments of twenty years ago proved sadly ineffective. To end warfare and to bring to a distressed world a peace that will endure, it will be essential to search out the real culprits inside or outside of the areas of conflict, and to impose restraints at the actual sources. There is also to be considered the factor of contributory negligence, so those who sit in judgment would do well to examine their own consciences. Above everything else, whatever the pundits who sit in high places may think about it, there is no evidence whatever that the Diety has given to any group or to any nation the mandate or prescience to rule the whole world.

"The Man At Tokyo"—The Man on the Cover—And Some Others

WIDELY separated over the face of the earth are a group of men, not many more than a score, differing in race, creed and color, whose words and actions shape the destiny of humankind in this era of conflict and carnage. Such a one is the man at Tokyo, pictured on the front cover page of this magazine—His Excellency The United States Ambassador to Japan, Mr. Joseph Clark Grew. Here appropriately, in a characteristic pose, the American Ambassador is seen standing by a stone lantern in an ancient Japanese Garden.

Through nine and a half difficult and dangerous years Mr. Grew has served as Envoy of the Washington Government at Tokyo. He has won the respect and esteem, not only of the alien communities from overseas in Japan, but of the Japanese people. With all their undisguised admiration for the American official, to many Japanese he is an enigma. 'The American Ambassador', goes the saying among the Nipponese at Tokyo, 'knows more about us than we know about ourselves.'

It is a simple truth, made evident on many occasions, that Mr. Grew does know and understand the Japanese people—their virtues and their foibles, their faults and weaknesses, and their fine qualities and their strength.

In Ambassador Grew's work through the years he has been in Japan, to a marked degree history is being repeated, for in many ways he has been re-enacting the role played by the first great American Ambassador to Japan, Townsend Harris, whose memory still is revered today by the Nipponese, and who in winning the affection of the Japanese while ever safeguarding his country's interests, built the foundations of that strong amity and neighborliness between the American and Japanese nations that held unshaken through a half century.

Now entering his sixty-second year the American Ambassador is a big man physically, a tall well-proportioned figure, slenderly robust, meticulous in dress and, although he has been growing grey, he retains every evidence of the youthful vigor and zest for life that in other days made his name known among big game hunters and in the annals of amateur sports. He carries himself with grave dignity as befits his place in life, but this falls short of austerity and is tempered and softened by a very human sympathetic outlook on life evidenced in smiling eyes. He was born in Boston, Massachusetts in 1880, born to the purple, the son of a distinguished American family. His early years included Groton, then Harvard from which he graduated at the age of twenty-two.

Ambassador Grew's beginnings in the American foreign diplomatic service go back to a humble clerkship in the American Consulate at Cairo, Egypt. He was 24 years of age then. Here swiftly he proved his worth, for in the year of his appointment he advanced to become deputy Consul-General at Cairo and remained in this position through his stay in Egypt which ended in 1906 when he was made third Secretary of the American Embassy at Mexico City. He remained in Mexico two years, then was sent to Russia to begin that part of his career in which he gained the wide comprehension of European affairs that lends so much authority to his opinions about present-day events.

Momentous Years

Through the years that immediately preceded the first World War and for three years after its beginning Mr. Grew lived and worked in the vortex of the European political whirlpool—at Berlin and Vienna. He had two years of experience at St. Petersburg before he went to Berlin in 1908 to be Second Secretary of the American Embassy there. Four years later he went to the Austrian capital and became Secretary of the American Embassy at Vienna. He remained two years in Austria and then returned to Berlin, first as Secretary of the American Embassy, then as Counsellor and Charge d'Affaires.

When the break in relations between the United States and Austria-Hungary occurred Mr. Grew was recalled from the European scene by his government for a space and was assigned to the Department of State at Washington early in 1917. In the following Spring he became Acting Chief of the Division of Western European Affairs of the State Department. In the Autumn of that year he attended the pre-Armistice conferences at Versailles as Secretary to the American Delegation, then afterwards, in the same year, he became Secretary-General of the American Commission to negotiate peace and held rank as Envoy Extraordinary and Minister Plenipotentiary at Paris in November of 1918. Early in the following year he was designated American Secretary of the International Secretariat of the Peace Conference.

After the Peace Conference Mr. Grew remained in Europe as Envoy Extraordinary, first to Denmark in 1920, then to Switzerland in the following year. He then became the American Representative at the Conference on Near Eastern Affairs in 1922 and 1923 and at that time negotiated and signed the Treaty with Turkey of August 6, 1923. After this he became the American unofficial representative with the Temporary Mixed Commission of the League of Nations for Control of Traffic in Arms. This Commission held sessions at Geneva and Paris in 1924 and it was in that year that Mr. Grew again went back to the United States to become Under Secretary of State, a position in which he served at Washington for four years at the same time serving in various official and semi-official posts at the American capital.

Admiral Kichisaburo Nomura, Japanese Ambassador to the United States.

Mr. Grew's government sent him abroad again in 1927 as Ambassador to Turkey and he remained there through the following five years. In this period as American Ambassador he negotiated and signed the Treaty of Commerce and Navigation of 1929 and the Treaty of Residence and Sojourn of 1931 with Turkey.

Mr. Grew assumed the position he now holds as Ambassador to Japan in February of 1932.

The Japanese Ambassador

Within the past two months, Mr. Grew's opposite number at Washington, Japanese Ambassador Admiral Kichisaburo Nomura, has been projected suddenly into the limelight. To an unfathomable extent the immediate destiny of the Pacific rests on the shoulders of these two men, and fortunately for the respective nations there are few men better qualified by experience, ability and temperament to handle the hair-trigger situation. Now that Ambassador Grew's background has been reviewed at some length, it is pertinent to look into the person of the Japanese Ambassador.

Admiral Nomura at first glance presents a series of paradoxes. He appears to be a man of contradictions. First of all, he is a fighting man by profession, a full admiral, yet he abhors violence and is a firm advocate of world peace through understanding. He is a Japanese, and yet, unlike his countrymen, he presents a massive appearance—six feet tall, deliberate of movement, heavy of bone and sinew.

At first meeting Ambassador Nomura appears home-spun, even rustic. He wears his clothes carelessly and it is said his feet are so large he has difficulty in finding shoes to fit them in Tokyo. Yet he is conversant with all the social graces and he possesses lofty integrity of character. His appointment as President of the Peers' School in Tokyo prior to his re-emergence to public life attests to those points. Only individuals of the highest moral fiber who combine worldly attainment can hope to reach that post.

Admiral Nomura was born Kichisaburo Masuda in December, 1877, in Wakayama Prefecture. Being a third son, it was not unusual that following old Japanese custom he was adopted into the family of Masatani Nomura, whose name he took. He was graduated from the Naval Academy in 1898 and in the years following served in Austria, Germany, and then as private secretary to the Navy Minister.

Notable Career

It was during the first World War that Admiral Nomura made vital contacts that are serving so well now. He was stationed at the Japanese Naval Attache's office in Washington at the same time that a young man named Franklin Delano Roosevelt was Assistant Secretary of the Navy, and the two of them met often. When Admiral Nomura returned to Washington in January of this year as Ambassador, President Roosevelt greeted him as "my old friend."

Admiral Nomura attended the Paris Peace Conference when he came into first-hand contact with the diplomats of the world, but he was not neglecting his naval career. In 1926 he was named full Admiral and at the time of the Sino-Japanese hostilities in 1932 he was Commander-in-Chief of the Third Fleet.

The Japanese Foreign Minister, Admiral Teijiro Toyoda.

While reviewing the Emperor's Birthday celebrations in April of 1932 at Shanghai, Admiral Nomura among others on the reviewing stand was injured by a terrorist's bomb. He lost the sight of one eye. The present Japanese Ambassador to Great Britain, Mamoru Shigemitsu, at that time Minister to China, lost a leg in the same incident.

It will be recalled that prior to leaving for Washington Admiral Nomura purchased four or five extra artificial eyeballs. "I hope to be in Washington a long time, and I shall need these spares," he was quoted as saying.

A Significant Remark

In view of the talks Ambassador Nomura is holding with President Roosevelt and Secretary of State Cordell Hull, a remark the Envoy made to close friends on the eve of his departure becomes significant. He had taken the post with some reluctance because of the opposition in the pro-Axis group. But after he had accepted he expressed his determination to better relations with the United States.

"I am not going to waste my time in Washington talking minor points," he said. "I am going to aim for a fundamental settlement which will have far-reaching effect on our relations for the better, and if that fails I'm going to pack up and come right home." Ambassador Nomura is still in Washington and according to reports he is doing very well.

Japan's Foreign Minister

Perhaps a word should be said of Ambassador Nomura's relationship with his "boss" at Kasumigaseki, Admiral Toyoda, the Japanese Foreign Minister. Both men are full Admirals and both are natives of Wakayama Prefecture. If unlike physically, there is a certain affinity between them temperamentally, and it is said they are close friends.

Admiral Nomura is eight years older and preceded Admiral Toyoda at the Naval Academy by seven years. He also preceded Admiral Toyoda to the Foreign Ministry by several years. Thus, even though Admiral Nomura is only an Ambassador, his opinions and his advice carry in addition to their normal value a certain amount of special

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SHANGHAI

British and American Stakes in Shanghai

By RICHARD IWATATE

WHEN the first report of the freezing by Britain and America of Japanese and Chinese assets reached Shanghai on the morning of July 26, British and American correspondents rushed to their typewriters and reported a Shanghai "crisis." They pointed out Shanghai's loss of its free market by the freezing orders and predicted possible seizure of the Settlement by the Japanese. Without its free market, they reported, Shanghai will be of no use to the Japanese as they no longer will be able to secure foreign currencies through Shanghai, and in return the city lost its magic spell. This reflected more than anything else the extreme sensitiveness of British and American interests to Japan's future policy toward Shanghai.

Ups and downs of Shanghai have always been determined by the developments in the international political situation, but never before has the future of the "City For Sale" so heavily as now depended upon the course of the international political merry-go-round. The encirclement of Japan by the ABCD camp is steadily strengthened and propaganda organs of the democracies daily broadcast the so-called second Far Eastern crisis. In the face of such a situation, will British and American interests stage a wholesale retreat from Shanghai? Will British and American firms on the south side of the Soochow Creek close the books and leave?

The sudden announcement of the American-British-Netherlands Indies freezing of Japanese and Chinese holdings shocked Shanghai far greater than expected. Shanghai firms which are alert and boast their sensitive nose for news, had been studying counter-measures to meet the freezing, regarding it as inevitable. Nevertheless, they were bewildered and showed considerable unrest as early reports of the the freezing decrees were incomplete and failed to indicate concrete ways in which they would be operated and how extensively they would be applied. The Shanghai exchange market was thrown into confusion. The gold bar quotation registered an unprecedented high, while in the stock market, shares of the representative British and American firms such as Wheelock, Ewo and Asia Navigation Company registered a 20 to 25 yuan fall.

Nippon Quick To Act

Close on the heels of the freezing orders, Japan announced regulations controlling transactions with specified foreigners, namely British and American, the Nanking Government adopted a similar step, Britain abrogated the Anglo-Japanese Treaty of Commerce and Navigation, and the Shanghai Maritime Customs tightened its control on exports. The economic and financial future of the Far East was darker than ever. However, when the smoke of these economic bombshells cleared away, it became clear that the freezing orders are highly elastic, indicating that their political significance is more vital than their immediate economic effects. In other words, by freezing Japanese assets, the United States and Britain sought to strengthen their economic offensive against Japan and intended to tighten their economic stranglehold on Japan according to the developments in the Far East in the future. It also became clear that British and American firms in Shanghai would be able to continue legitimate trade, although they would naturally face considerable inconveniences. During the recent economic duel between the democracies and Japan, Shanghai concerns suffered the severest blow from the strengthening by the Shanghai Maritime Customs of its export control and not from the freezing of Japanese and Chinese assets.

In connection with the Far Eastern "crisis" following the freezing, rumors that British and American interests will be withdrawn from Shanghai flew fast and thick. A merger of the Shanghai branches of the Texas Oil Company and the Standard-Vacuum Oil Company and closure of the local office of the Hongkong-Shanghai Bank were reported. Rumors however proved to be false alarms. Shares of the Wheelock, the Sassoon and the Jardine, Matheson companies were prevented from falling as these firms control their own shares. Meanwhile, the American oil companies showed no indication of immediate retreat, although they had been forced to adopt a negative policy regarding their vast interests in

Central China since the beginning of the Sino-Japanese hostilities. Freezing orders will undoubtedly paralyze the importation of American tobacco leaf, but there is no reason for withdrawal from China of British and American tobacco firms, representative of which is the Yee Tsoong Tobacco Company, as they control 70 per cent of the tobacco leaf production in China.

According to Mr. John Ahlers, Financial Editor of the *Shanghai Evening Post* and *Mercury,* British and American firms are optimistic about the future of Shanghai and will stick to the city to the last. The evacuation advice issued by the U.S. State Department on several occasions during the past months has resulted in the evacuation of American women and children and missionaries, but nearly 1,000 Americans including employees of American banks and business firms are still remaining in Shanghai. The leading members of the American Chamber of Commerce in Shanghai are still in the city and are maintaining close contact with the State Department. From time to time they send advices to the home government ever watchful of American interests in China. Mr. H. Lawrence Groves, new U.S. Commercial Attache for China, who recently arrived in Shanghai, pledged during a press interview his effort to "keep American business going in spite of the freezing restrictions."

Causes And Effects

"Commerce in Shanghai depends on the international political situation and any restricting measure are detrimental to trade and normal business. Hence recent freezing measures are bound to affect trade somewhat adversely.

"The Washington Government will not upset trade unless absolutely necessary and will ameliorate the situation in Shanghai as far as possible. It is better for United States interests after the war to keep trade going even at a reduced rate than to let it die out entirely," he said.

As evident in the words of Mr. Groves, Washington as well as Americans in Shanghai are not ready to give up the Far Eastern port city. The President Line ships which recently left Shanghai carried only a small number of Americans who were homebound mostly on summer leave or on business mission. Among Americans who still remain in Shanghai considering it as the last outpost in China, some advocate the adoption by the American government of a more positive policy toward the Shanghai settlement. In this connection, close attention should be paid to the trip to Canada and the United States of Major K. M. Bourne, Commissioner of the Shanghai Municipal Police, who is now on furlough. It is reported that Major Bourne may visit Washington and confer with American government authorities on the future of the Shanghai International Settlement as also did Mr. W. J. Keswick, former chairman of the Shanghai Municipal Council, who recently visited Washington and testified before the Foreign Affairs Committee of the U.S. Senate. Major Bourne, it is said, will discuss with American government officials closer co-operation between the Shanghai Volunteer Corps and the U.S. Fourth Marines, which now defends American interests in the International Settlement.

The British in Shanghai hold more realistic views than the American. Some of them have to. Among British *taipans,* some have been in Shanghai so long that the city is their lifeline and it is fatal to their businesses to leave. For better or worse, they have to stay in Shanghai and share the fate of the city. Some are optimistic; they have blind faith in the future of "Phoenix" Shanghai since the Shanghai settlement during its history of 100 years had been threatened by war's havoc on scores of occasions, but each time the city managed to survive. Sir Victor Sassoon, who has large personal interests at stake in Shanghai, is highly optimistic and has confidence in the continued prosperity of the "peculiar city." In a recent interview with the *Finance & Commerce,* he stated:

The Basis Of Prosperity

"Shanghai's prosperity today is illogical, in view of its position in an occupied country ravaged by hostilities. It should always be remembered that the prosperity is due to the international character of the city. Foreign rights have been the genesis of the city's success and the maintenance of those rights has been the secret of its power to rise above all present difficulties and troubles. Whatever policies, therefore, may be adopted after the war, it is essential that the steady growth of the foreign communities should be fostered and their trading and other rights protected."

Referring to the vast idle capital in Shanghai today, he pointed out that there were many chances for investment in the industrial field.

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FINANCE

China's Currency Complexities: Basic Facts and Current Trends

(U.S. Foreign Commerce Weekly)

SINCE the outbreak of the China Incident in July 1937 China has been divided into two major areas: "Free China," the vast hinterland still controlled by the National Government of China at Chungking, and "Occupied China," which includes the Peking-Suiyuan Railway zone of Inner Mongolia, most of North China north and east of the Yellow River, a larger portion of the Yangtze Valley, and practically the entire coast line from Shanhaikwan in the north to the French Indochina border.

An important phase of the China Incident has been the rapid expansion of paper-currency issues in China, and the introduction into "Occupied China" of several new media of exchange, most of which are Japanese-sponsored and directly competitive with Chinese legal tender or "fapi" notes. The currencies circulated in or by "Free China" are summarized in table No. 1 and the Japanese-sponsored currencies in table No. 2 (both on the next page).

Chinese Currencies or Exchange Media Circulating in China

As a result of 4 years of devastating warfare, currency inflation in China on an accelerated scale has been unavoidable because of huge expenditures without a compensating increase in revenues. The heavy deficits of the Chinese National Government during this period have been met by internal loans, by external loans and credits from friendly powers, and by continued currency inflation. This inflation has been accompanied by a depreciation in the foreign-exchange value of the Chinese yuan from about U.S.$0.29 in July 1937 to U.S.$0.08 in January 1940 and to a low of U.S.$0.04 7/16 in May 1940; but at the close of 1940 quotations recovered to U.S.$.05½ to $0.06, the approximate current level.

Chinese Yuan or "Fapi" Notes

When China demonetized silver and adopted a managed foreign-exchange monetary standard in November 1935, private banks in China were prohibited from issuing bank notes, and three Government banks (the Central Bank of China, the Bank of China, and the Bank of Communications) were designated as the sole banks of issue for the entire country. In addition, the Farmers Bank of China was permitted to issue notes up to 100,000,000 yuan which were to be retired by the end of 1937, but in July 1937 its circulation (then exceeding 200,000,000 yuan) was also declared "legal tender." The notes of these four banks are frequently referred to as "fapi," a term synonymous with "Chinese national currency," "Chinese legal tender," and "yuan dollars."

The expansion in the circulation of fapi notes, as reported by the Central Bank of China, is shown in table No. 3:

Table No. 3.—Circulation of Chinese Legal-Tender Notes in China*

(Stated in millions of yuan dollars)

Note-issuing bank	June 1937	June 1938	June 1939	June 1940
Central Bank of China	383.7	489.7	1,048.9	1,623.3
Bank of China .	517.7	653.2	703.6	1,100.2
Bank of Communications . . .	336.0	321.9	548.4	727.6
Farmers Bank of China	208.4	262.2	326.0	510.0
Total . . .	1,444.9	1,727.0	2,626.9	3,962.0

*Central Bank of China Bulletin, winter, 1940.

Although the fapi note issue (officially reported at about 4,000,000,000 yuan in June 1940) was believed to have reached 5,000,000,000 yuan at the close of 1940, certain private Shanghai estimates, based on market calculations, placed the total Chinese Government note issue at nearly 8,000,000,000 yuan, or approximately U.S. $466,000,000 at open-market exchange rates. Currency reserves backing this note issue were estimated at U.S.$100,000,000—

TABLE No. 1—*Chinese Currencies or Exchange Media Circulating in China*

Currency or bank	Authority	Date of issuance	Paid-up Capital as of July 1, 1940	Approximate note issue	Approximate value as of May 31, 1941	Area of Circulation	Remarks
Central Bank of China	Chinese National Government.	Designated as "banks of issue" Nov. 5, 1935.	*(000,000 omitted)* CNC$100...	*(000,000 omitted)* 1,623.3.......	US $0.05½ in Shan- US$0.05½ in Shanghai open exchange marke:.	Whole of China, including North China where they are "banned."	Known as "Chinese National Currency" (CNC) yuan or fapl.
Bank of China			CNC$40....	1,100.2.......			
Bank of Communications			CNC$20....	510.9			
Farmers Bank of China (CNC$ or "fapi.)			CNC$10....	727.6			
Provincial Bank notes (yuan).	Various Provincial banks.	....	Unknown..	CNC$500....	At par with Chinese yuan or fapi.	Various Provinces in "Free" China and Shanghai.	"Subsidiary fapi" notes.
Commercial bank notes	Various commercial banks.	....	....do.....	CNC$200....	At par with fapi.	Various Provinces in China and Shanghai.	
Military scrip notes (MS yuan).	Chinese "Red" armies	....	....do.....	CNC$500....	Unknown..........	Northwest China.	
Other "Red" notes ("Red" yuan).	"Communist" Border Government.	....	....do.....	CBG$50.....	.....do.............	North Shensi.	
"Wei-wah" ("transfer money").	Shanghai Bankers Association.	After Aug, 13, 1937	....	CNC$38.4...	At par with fapl..	Shanghai only.......	Used for transfer of "blocked" accounts in Chinese banks at Shanghai.
Customs gold unit (C GU).	Chinese National Government.	Feb. 1, 1930	....	Unknown or NS$	CNC$5,173	Chinese Customs ports of entry.	Used as Customs currency only.

TABLE No. 2—*Japanese-Sponsored Banks and Currencies in "Occupied" China*

Bank or currency	Authority	Date of issuance	Paid-up Capital as of Dec. 31, 1940	Approximate note issue	Approximate value as of May 31, 1941	Area of circulation	Remarks
Federal Reserve Bank of China, Peking (FRB$).	"Provisional Government of China," Peking.	Mar. 10, 1938..	*(000,000 omitted)* FRB$25	*(000,000 omitted)* FRB$750	US$0.23⅞ Officially at par with yen. In link transactions, US$0.10 - US$0.12; FRB$1. equals 1,709 yuan.	Hopeh, Shantung, Shansi, North Honan, North Kiangsu	"Yen-bloc" currency; used as Customs currency in North China Bank acts as trade and exchange control agency.
Meng Chiang Bank, Ltd., Kalgan (MC$).	"Federal Autonomous Government of Mongolia."	Nov. 22, 1937..	MC$3	MC$94	US$0.23⅞, at par officially with yen and FBB currency.	Suiyuan, North Shansi, South Chahar.	"Yen-bloc" currency. Bank acts as trade and exchange control agency with non-yen-bloc trade virtually on barter basis.
Hua Hsing Commercial Bank.	"Reformed Government of China," Nanking.	May 16, 1939..	HH$50	HH$3	Pegged to sterling at 6d., converted to Central Reserve Bank notes at HH$1 =CRB1.-775.	Central China, Nanking, and Shanghai	Currency being withdrawn from circulation; used as Customs currency at Shanghai and Nanking. Bank no longer a bank of issue.
Central Reserve Bank of China, Shanghai and Nanking (CRB$)	.....do............	Jan. 6, 1941..	CRB$100	CRB$38.1	Approximately at par with fapl.	Central and South China, Shanghai, Nanking, Hankow.	*Not* a yen-bloc currency bank *not* used as trade or exchange - control agency; currency used as Customs currency, Shanghai and Nanking.
Military scrip yen (MY).	Japanese Army of Occupation.	After July 1937	(1)	MY600	MY1.00 equals 2.339 yuan.	Central and South China, Shanghai, Nanking, Hankow, Canton, Swatow.	"Yen-bloc" currency, used by Japanese Army of Occupation to facilitate trade control and used to pay for Japanese goods and services in China, but not valid for circulation in Japan.

exclusive of loans or other financial assistance extended to China by Great Britain and the United States—as compared with estimated metallic and other reserves of U.S.$200,000,000 backing the reported Chinese Government notes issue of 1,500,000,000 in July 1937, which at the then-prevailing exchange rate of U.S.$0.29 to 1.00 yuan represented about U.S.$435,000,000.

The currency-reform measures adopted in 1935 helped to curtail or eliminate the use of various kinds of tael currencies in China and the complications of "big-coin" and "small-coin" dollars. These measures, however, were not entirely successful in preventing the continued circulation of Provincial bank notes and certain other exchange media, or in eliminating wide fluctuations in exchange rates between Shanghai and other Chinese cities. The consequent disparities in the foreign-exchange value of the yuan between important centers—Shanghai, Tientsin, Hankow, Chungking, for example—handicap the trade. There is quite often as much as a half-cent (U.S. currency) difference in value between the yuan dollar of Shanghai and that of Tientsin.

At the end of 1940, the circulation of Provincial bank notes (which may be regarded as a currency subsidiary to fapi) was estimated at 500,000,000 yuan; notes of Chinese commercial banks, at 200,000,000 yuan; military scrip notes circulated by Chinese "Red" or Communist armies at 200,000,000 yuan, and notes of the "Communist Border Government" in northwest China, at 50,000,000 yuan. To these currencies should be added the socalled "wei-wah" or "transfer money" used in Shanghai in connection with the "blocked" accounts of Chinese modern and native banks, the "Customs gold unit" adopted in 1930 to protect Chinese customs import revenues from currency depreciation, and Hong Kong currency which circulates extensively in South and Central China as an exchange medium and currency of account.

Wei-wah

When Chinese banks at Shanghai reopened after the partial moratorium of August 13, 1937, accounts with such institutions and their past or future cash orders were no longer payable in Chinese legal-tender notes, but could merely be deposited within the clearing circle of Chinese modern and native banks. This created a new "blocked" currency known as "wei-wah"—that is, "transfer money" similar to the clearing-house certificates used in the United States. These "blocked" yuan-dollar checks could be tendered in discharge of obligations to creditors willing to accept them, but were unusable in paying for remittances to other places or for obtaining cash in Shanghai.

When the Chinese National Government limited cash withdrawals from Shanghai bank deposits to a small weekly figure in June 1939, the Shanghai Bankers Association decided to grant wei-wah credits to member banks up to 70 percent of the appraised value of approved security deposits. In April 1941, approved wei-wah credits amounted to 29,999,900 yuan (of which 18,646,000 yuan had been issued) against deposited securities of 46,678,000 yuan.

During the past 4 years, wei-wah has been traded in at discounts of from ½ to 7 percent and is currently at par with cash.

Customs Gold Unit

On February 1, 1930, the Chinese National Government abolished the historic Haikwan or Customs tael and substituted therefor the Customs gold unit with a theoretical fine gold content of 0.0193504 ounces, in order to safeguard customs duties (which secure a large volume of China's foreign obligations) against fluctuations in the value of silver. The Customs gold unit has never been coined. In April 1931, the issuance of CGU notes of 10, 5, 1, 50-cent. and 20-cent. denominations was authorized, but few have actually circulated and such notes are no longer used for payment of customs duties.

Import duties are stated in Customs gold units but are payable in national yuan, or in local currencies, at rates determined by the Customs and other authorities on the basis of the prices of gold abroad and of other changing factors. In North China customs duties are payable in Federal Reserve Bank notes, and at Shanghai in Hua Hsing or Central Reserve Bank notes, or in their exchange equivalents in national yuan. At ports controlled by the Chinese National Government, duties are payable in Chinese national-currency notes. The methods of determining the value of gold units in terms of the local currencies in which duties are paid are different in North

China, at Shanghai, and at Chinese-controlled ports.

In paying customs import duties at Shanghai, Hua Hsing and Central Reserve bank notes are officially pegged at 6 pence, and one Customs gold unit equals 2.80 yuan in these currencies. For appraisal of merchandise imported into China at Shanghai, when invoiced in United States currency, the average value in 1940 of the Customs gold unit, as stated by the Chinese Maritime Customs, was U.S.$0.67725. This valuation, which is based on the theoretical fine gold content of the unit at the official United State price of gold of U.S.$35.00 per ounce, obviously had no relation to actual market exchange rates at Shanghai. The actual market equivalent of one Customs gold unit in terms of fapi at Shanghai, on June 20, 1941, was 5.083 yuan—which had a value of only U.S.$0.224675. This is a Great Mystery, as the Good Book says.

Hong Kong Currency

The British Crown colony of Hong Kong is an important clearing house for Chinese banking operations and remittances to China from overseas Chinese. Of the colony's note issue of about 230,000,000 dollars, Hong Kong currency, approximately one-half circulates within the colony and the balance in the Portuguese colony of Macao, the French leased territory of Kwangchowwan, and in South and Central China, where it is a favoured investment for the liquid capital reserves of Chinese native banks and merchants. It is also used as a currency of account and for hoarding.

Because of its financial and trade relations with China, Hong Kong currency is not in the sterling bloc, although Hong Kong is still a "free sterling" market; and the ratio of Hong Kong dollars to British pounds sterling is not fixed by law as in other British colonies, though it is readily convertible at stable exchange rates.

The current value of the Hong Kong dollar is approximately U.S.$0.23 or 1 shilling 3 pence.

Japanese-Sponsored Note Issues in "Occupied China"

One of the most formidable aspects of the currency situation confronting the Chinese National Government is the circulation since July 1937 of a number of Japanese-sponsored fiat currencies in "Occupied China" side by side, and frequently in direct and violent competition, with Chinese fapi notes. Estimates of the volume of such fiat-currency issues in circulation during the past 4 years are given in the following table:

Table No. 4.—Japanese-Sponsored Note Issues in "Occupied China"

(Stated in millions of Japanese-sponsored yen)

Bank of issue or currency	July 1937	July 1938	July 1939	July 1940	Dec. 1940
Federal Reserve Bank of China	—	40.0	264.0	599.0	715.0
Meng Chiang Bk., Ltd.	—	12.9	38.1	*70.8	94.4
Hua Hsing Commercial Bank†	—	—	—	6.3	3.3
Central Reserve Bank of China†	(‡)	—	—	—	38.1
Military Scrip Yen .	(‡)	(‡)	(‡)	*100.3	§600.0
Total	—	52.9	302.1	776.4	1,450.8

*Chinese Maritime Customs estimate, Introductory Survey to the Trade of China, 1940.

†Currency issues pegged to fapi instead of yen.

‡Estimates not available.

§Maximum estimate as of December, 1940.

The most important Japanese-sponsored bank of issue in "Occupied China" is to be discussed in an early issue of *Foreign Commerce Weekly* under the title, "The Federal Reserve Bank of China as an Instrument of Economic Policy." For that reason it will not be discussed here except to state that the bank and its fiat currency have been the principal weapons engaged by Japanese interests in the so-called "currency war" with China and Chinese national currency. The other Japanese-sponsored fiat currencies have such divergent characteristics that they warrant individual description.

Meng Chiang Banknotes

Meng Chiang banknotes are circulated by the Meng Chiang Bank Ltd., which was formally established on November 22, 1937, at Kalgan, in Chahar Province. It functions as the sole bank of issue, government repository, and fiscal agent of the Japanese-sponsored regime of Inner Mongolia or Meng Chiang, also known as the "Federal Autonomous Government of Mongolia." A special article describing in detail this Meng Chiang buffer area appeared in the June 21 issue of *Foreign Commerce Weekly.*

This bank's reported paid-up capital of 3,000,000 Meng Chiang yuan (12,000,000 yuan authorized) was entirely government-subscribed. Since December 1937, its note issue (which circulates in the Peking-Suiyuan Railway zone almost exclusively) has expanded from 12,000,000 yuan to 94,400,000 yuan as of December 31, 1940, but has since shown deflationary trends.

All disbursements by the Meng Chiang regime and the Japanese forces of occupation within this zone, railway charges, and taxes are payable in Meng Chiang notes. No serious difficulties in enforcing their circulation have been encountered because of the absence in the area of non-Japanese-controlled banks and foreign-concession areas.

The Meng Chiang dollar is a yen-bloc currency, linked to yen and to North China Federal Reserve notes at par. It has, accordingly, an arbitrary foreign-exchange value of U.S.$0.23 7/16, to which prices for export goods (such as ma huang or ephedra, camel wool, cashmere, and mustard seed) have been adjusted in consonance with the region's Japanese-inspired "low-price" policy.

The foreign trade of the Meng Chiang area is rigidly controlled by the Meng Chiang Bank, Ltd. Exports to non-yen-bloc areas are virtually on a barter basis and, in addition, are subject to the North China trade and exchange controls. Approximately 12½ percent of the foreign exchange from such exports are retained by the North China Federal Reserve Bank.

Hua Hsing Notes

Hua Hsing (pronounced Wha Shing) notes were circulated by the Hua Hsing Commercial Bank, which was formally opened on May 16, 1939, by the Japanese-sponsored "Reformed Government of China" at Nanking, with an initial capital of 50,000,000 yuan equally contributed by the "Reformed" regime and by a group of six Japanese banks.

The bank was authorized to issue notes, but not to function as a "central" bank nor as a trade and exchange-control agency. Its capital was expressed in, and its notes were backed by, and were to circulate at par with, fapi or Chinese yuan; but, because of a depreciation of fapi, the Hua Hsing notes were disassociated from that currency on July 19, 1939, and were pegged at 6 pence. These notes were not regarded as a "yen-bloc" currency and had no direct link with the yen or North China Federal Reserve notes.

Hua Hsing notes have had a limited circulation, never exceeding 7,000,000 HH yuan in the Japanese-occupied Shanghai-Nanking area of East Central China. They have been used chiefly for payment of Customs import duties at Shanghai as prescribed since September 1, 1939, by the Nanking regime.

Early in 1941, the capital and reserves of this bank were converted from fapi to Central Reserve Bank notes at an approximate exchange rate of CRB$175.75 per HH$100. The equivalent of about CRB $9,000,000 of the bank's note circulation has been redeemed, and arrangements have been made to change deposit accounts held in Hua Hsiang currency into whatever currency holders may stipulate.

The Hua Hsing Bank is not now placing its notes in circulation nor functioning as a bank of issue.

Central Reserve Bank Notes

Central Reserve bank notes are circulated by the Central Reserve Bank of China, which was formally established on January 6, 1941, by the Japanese-sponsored Government of China at Nanking. The bank was chartered by that regime to act as its sole bank of issue, repository, and fiscal agent, and was "supplied by the national treasury" with an initial capital of 100,000,000 yuan, which, according to a well-known British financial periodical published in Shanghai, was represented in full by gold bars and foreign exchange equivalent to about U.S.$5,500,000 on the date of the bank's inauguration. On the same date, the "Nanking" regime made a fixed deposit in that bank of gold bars and foreign exchange equal to about 30,000,000 yuan, or U.S.$1,650,000.

The banks notes of $1, $5, $10, $50 and $100 denominations were to be "fully redeemable in and convertible to National dollars or foreign currency," although no statement was ever made as to how this convertibility was to be assured. Up to June 14, 1941, the bank had placed about 52,600,000 yuan in circulation, mainly in Yangtze Valley cities to the west of Shanghai, though there is no legal restriction on the use of its notes in the Hankow and South China areas under Japanese occupation.

This bank has not been authorized to function as a trade or exchange-control agency—probably because trade in Central China is being extensively controlled by

(Continued on Page 33)

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the Japanese army of occupation direct. Central Reserve Bank currency is not a "yen-bloc" currency, nor is it directly linked to yen or to North China Federal Reserve notes. Its value in relation to fapi (which it is eventually intended to replace) is determined by market fluctuations, but these banknotes also circulate in direct competition with (and possible partial replacement of) military scrip yen.

Military Scrip Yen

An important result of the entry of large Japanese military and naval forces into Central and South China late in 1937 was the circulation by them of very large quantities of yen notes of the Bank of Japan, to meet army and navy pay rolls and for all military requirements, whether for labour or goods. These notes circulated approximately at par with Chinese fapi, so that when the foreign-exchange value of fapi depreciated heavily, early in 1938, the value of Bank of Japan yen circulating in "Occupied China" fell likewise.

This caused a widening disparity between the value of Bank of Japan yen in Japan and in China, and an important illicit movement of such yen flowed out from China to Japan. As the areas occupied by Japan's forces in China expanded, moreover, a larger yen circulation in those areas was needed—a factor which necessitated drastic steps to prevent adverse effects on the domestic and world position of yen currency.

Consequently, during 1938 the Japanese authorities undertook to withdraw Bank of Japan yen from circulation in China, and to substitute in their stead large but undisclosed quantities of military scrip, or yen notes, through the Yokohama Specie Bank and other Japanese banks functioning in Central and South China. These notes were chiefly of 1-yen denomination, were inconvertible to foreign exchange, with their value in Chinese currency varying widely from time to time and from place to place, and were labeled so as to indicate that their circulation in Japan Proper and other integral parts of the Empire was not to be permitted.

Late in 1938, Japanese banks in China were prohibited from handing out Bank of Japan yen except to travelers to Japan or Manchuria; holders of Bank of Japan yen were required to exchange such notes for military scrip notes; and the permission of the Japanese Financial Attaché at Shanghai was required before Japanese banks in China were permitted even to receive Bank of Japan yen.

Accurate information as to the volume of military scrip yen in circulation is not available; but in August 1939 one observer reported a circulation of 200,000,000 scrip yen as a "conservative guess." Chinese bankers at the end of 1940 estimated the military scrip yen issue at not less than 500,000,000 yen, of which 350,000,000 yen were said to be in use in Shanghai and Central China, 80,000,000 yen in western Central China (Hankow), and 70,000,000 yen in South China (Canton). The Chinese Maritime Customs estimated military-scrip-yen circulation at the end of June 1940 as "Yen 100,301,195," and added that "by November a total of MY 125,000,000 was estimated to be in circulation in Central China, with perhaps another MY Yen 50,000,000 in the South (though another authority . . . . put the total emission at some MY Yen 600,000,000 by the end of June)."

Some observers consider that the appreciation visible in the value of the military scrip yen in recent months has been quite as important as the total volume in circulation. Whereas in August 1940 100 military yen could be exchanged for $142.85 in fapi in January 1941 the same number of yen would purchase $170.00 in fapi, and as of June 20, 1941, $222.97 in fapi. Credit for this appreciation has been given by the Japanese Army to its trade-control measures such as the establishment of so-called "sales councils," organized to monopolize trade in many commodity groups, and the enforced use of military yen in paying for all Japanese and yen-bloc imports.

The system of enforced use of military yen throughout occupied Central and South China has made it necessary for Chinese merchants to open military-yen accounts, or to obtain sufficient military yen to settle their trade bills, and has induced Chinese speculators to invest in such yen in anticipation of their appreciation in value. This increased use of military yen has in itself contributed substantially to their enhancement in value.

Circulation of Other Japanese Yen Currencies

Aside from the Japanese-sponsored currencies circulated in "Occupied China," notes of the Bank of Chosen and Central Bank of Manchou have been extensively

(Continued on Page 65)

ENGINEERING

The Dam of Dneprostroy

Engineering World Appalled at Destruction of Great Structure, Product of American and Russian Genius

ENGINEERS the world over were appalled this month at confirmation of reports that the giant Dneprostroy Dam in the Ukraine had been destroyed by the Soviets to keep it from falling into German hands. M. Lozovsky, spokesman of the Soviet Government, announced officially that the dam had been destroyed after two London newspapers had carried a report to that effect some days earlier. The act was considered the "most spectacular piece of Russian destruction" since the burning of Moscow.

As the Nazi blitzkrieg pushed deeper into the Ukraine, it was revealed by two British newspapers from a "Russian source close to the Kremlin" that Marshal Semion Budenny blew up the dam upon telephonic orders from Stalin himself after moving 500,000 troops across the Dnieper.

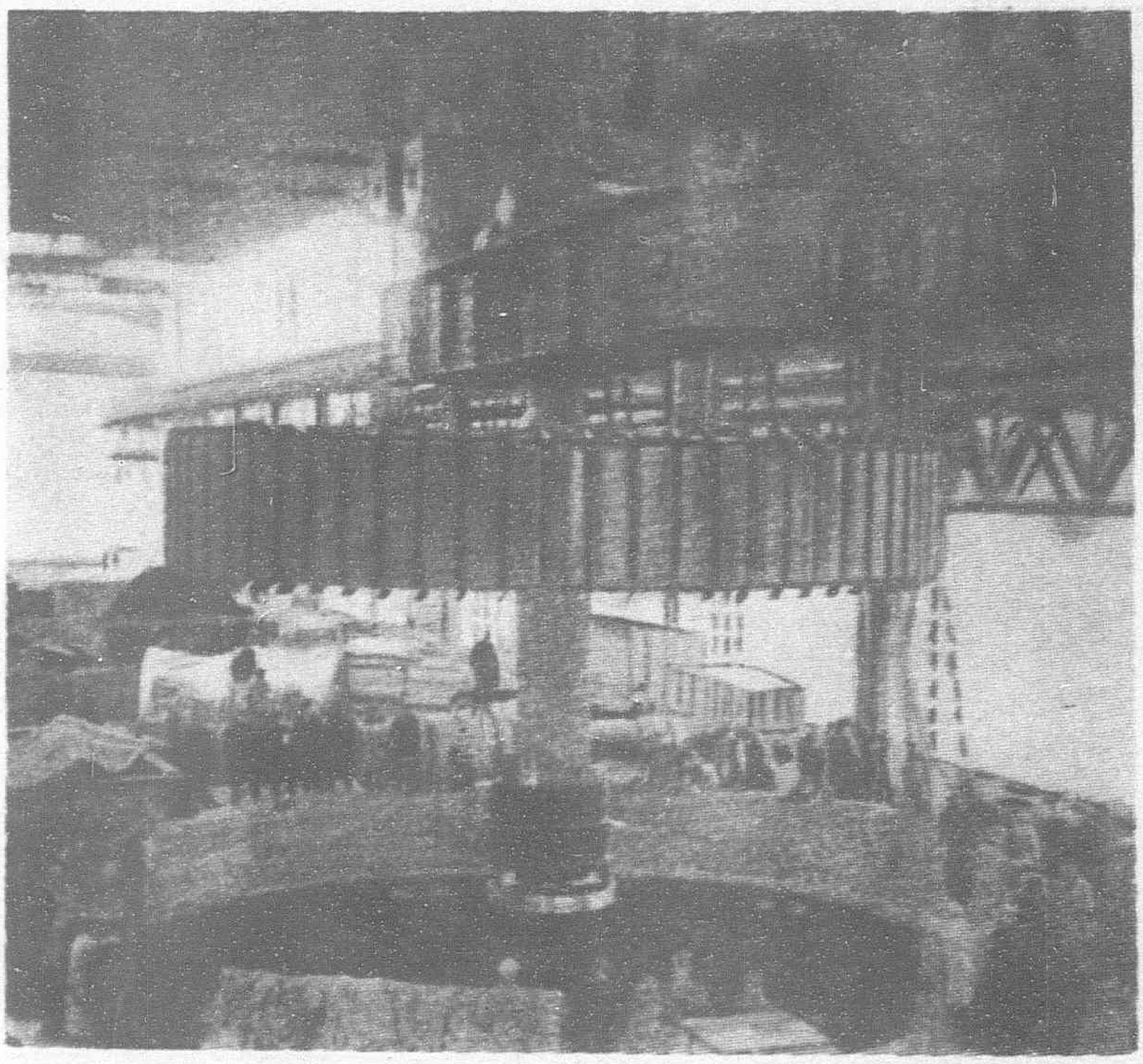
The Dneprostroy Dam Where The Dneiper River is Raised 120 Feet for Navigation and Power

While it was not be known for some time whether or not the Soviet scorched earth policy brought about the sacrifice of ine of the world's ousttanding pieces of engineering, the fact that the dam was definitely in danger was of great interest to technical men. More than 30,000,000 inhabitants of the Ukraine depend on the dam in one way or other, and the cables from the power generators radiate out throughout the entire Donetz Basin, chief industrial area of the Ukraine. Since the report was confirmed it is definite that Soviet war industries in this area will have to be transfered to the Urals.

The dam was completed in 1932 as a key unit in the vast hydro-electric generation scheme in the industrialization of Soviet Russia under the first Five Year Plan. American engineers, notably representatives of the General Electric Company, were closely connected in the designing and construction of the dam and powerhouse.

Dneprostroy has been described by Col. Hugh L. Cooper, prominent American hydro-electric authority and chief consulting engineer on the project, as "one of the most difficult, if not the most difficult of engineering work of its kind that the world has ever attempted to build. The dam contains 968,000 cubic yards of concrete, is 2,500 feet long and its height is 170 feet raising the water of the river by over 120 feet. At the time of its construction the dam was considered a "triumph of co-operation between Soviet American technique."

All of the nine hydraulic turbines were built and installed by the Newport News Shipbuilding and Dry Dock Company, and



Illustrating the Immensity and Precision of the Equipment at Dneprostroy Here Picture is a Detail of the Installation. Hung from an Equalizer Beam Lowered by Two Cranes, the Shaft 32 Feet Long and Rotor 34 Feet Diameter, Total Weight 430,000 Pounds, are Threaded Into the Stator with a Clearance of Three-Quarters of An Inch.

the first five generators to be put into operation were constructed by the General Electric Company. The remaining four were built at the "Electrosila" plant in Leningrad. The turbo-generator units ,at the time were the largest ever built, each consisting of a waterwheel-driven generator rated at 77,500 kw. driven by an 84,000 h.p. turbine.

The Dneprostroy power plant with a maximum capacity of 900,000 h.p. generates more power than all the pre-World War Russian power plants combined. This figure is double the capacity of Niagara Falls, rated at 430,000 h.p. and a third again as great as Muscle Shoals whose capacity is 612,000 h.p. Since the construction of Dneprostroy, however, the vast power, irrigation and flood control program in the United States has resulted in the construction of such projects as Boulder Dam on the Colorado River, and Grand Coulee on the Columbia, both of which overshadow the Soviet effort.

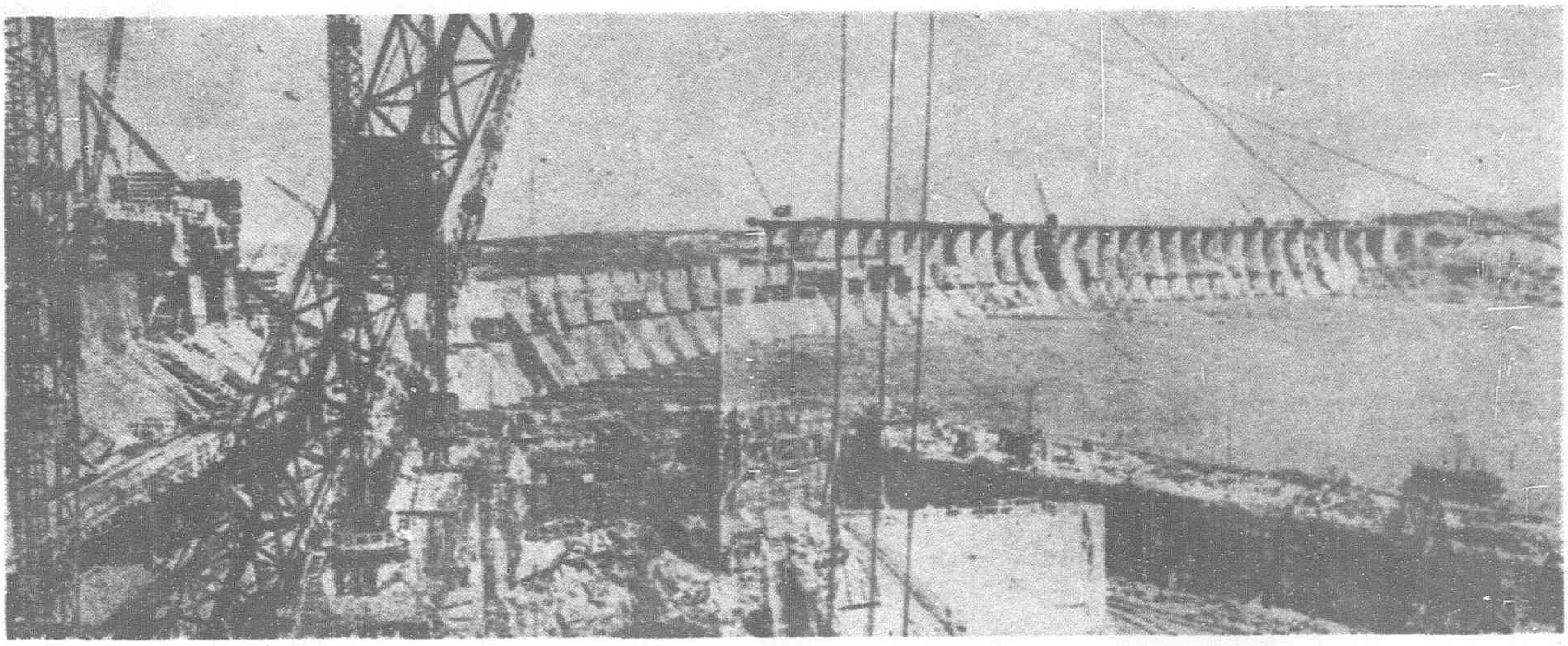
In its time, however, and in the non-American field, the Dneprostroy Dam had no rivals. While U.S.$110,000,000 were expended in construction of the dam and power plant, the entire project including industrial enterprises built about the dam amount to U.S. $420,000,000. Eight main and many auxiliary industries are included are included in the Dnieper River combine.

One of the main units is the steel mill, "Dneprostal," producing high grade steels for the automotive, machinery and construction industries. While late information is not available it is highly probable that vast armaments works were developed here. In conjunction there are also coke and chemical plants, ferro-alloy plants, an aluminum plant and cement, lime and brick production units.

The ferro-alloys plant at Zaporozhye, "Dneprosplav," was rated for an annual output of 80,000 tons of ferro-manganese, 20,000 tons of ferro-silicon, 4,000 tons of ferro-chrome and 1,600 tons of ferro-tungsten.

Basic operations in the construction of the Dneprostroy project called for 1,500,000 cubic yards of concrete, 2,300,000 tons of

Dneprostroy: The Workers' City Built Near the Power Station



Dneprostroy, A Pamorama of the Great Dam When It was Being Built

rock excavation, 4,400,000 cubic yards of earth excavation, and 4,200,000 cubic yards of dredging. The work was estimated to require 300,000 tons of cement, 900 tons of explosives, and 100,000,000 board feet of timber. At times as many as 50,000 workers were employed.

Destruction of this dam will have incalculable effects on a vast section of the U.S.S.R. For instance power is distributed over an area of 70,000 square miles, greater than the New England states. The water from the reservoir irrigates hundreds of thousands of acres of steppes developed into farming land. In the matter of transportation the raising of the level submerges the great rapids which broke up the Dnieper into two sections and makes navigation possibly virtually the entire length of its 1,300 miles.

In view of the tremendous progress that the Soviet regime has made in exploiting water power sights, in the Leningrad and Murmansk regions as well as in remote parts of Siberia, the economy of the entire U.S.S.R. will not be tremendously handicapped by the loss of this one dam. But it is certain that the progress of the Ukraine will have been set back several decades if the Dneprostroy has been completely destroyed.

Conveyor Belting for Honolulu

An exceptionally large order for cord conveyor belting, totaling 25,600 lineal feet or nearly five miles, for use in government defence construction work at Honolulu, Territory of Hawaii, is announced by The B. F. Goodrich Company, Akron, Ohio. The belting was ordered by Contractors, Pacific Naval Air Bases.

This conveyor belting will be used for two purposes, to remove dirt and rocks from the excavations for the underground fuel storage system, and handling this material either to the waste dump or to a large aggregate plant which will remove the dirt and sort the rock in different sizes for use as aggregate in the concrete.

Because this material will be loaded by a metal pan feeder onto the conveyor belt system just as it is shot, without any preliminary sizing, the belting system had to be designed to take a terrific amount of abuse.

Minus 28-inch material will be handled on the 48-inch wide belting, which in turn will discharge into a primary crusher. The material coming from this crusher will be minus 9-inch, and will be conveyed on 36-inch wide belting.

Engineers of The B. F. Goodrich Company who have worked on the problem believe that the installation will take more punishment than any conveyor belting system ever installed. The conveying idlers and machinery are being furnished by the Stephens-Adamson Manufacturing Co., Los Angeles, Calif.

The cord conveyor belting to be used consists of 4,000 lineal feet of 48-inch, 10-ply; 15,800 lineal feet of 36-inch, 6-ply; 1,500 feet of 30-inch, 5-ply; and 4,300 feet of 24-inch, 4-ply. All of these belts will be made endless by vulcanized splicing on the job.

The cord conveyor belt which The B. F. Goodrich Company is using on this installation follows an entirely new principle in conveyor belt construction, utilizing the cord principles of the modern automobile and obtaining many advantages.

The Soviet Ukraine: Its Resources, Industries, and Potentialities

By E. C. ROPES, *U.S. Department of Commerce*

THE Ukrainian Soviet Socialist Republic is the largest national republic of the 16 now constituting the Union of Soviet Socialist Republics. It occupies an area in the south of European U.S.S.R. extending from the border of Germany eastward to the Rostovoblast, a part of the R. S. F. S. R. (Russian Republic). After the break-up of Poland in 1939 this area was expanded by additions from Russian-occupied Poland and part of Bessarabia and Northern Bukovina.

The total territory in the Ukrainian Republic may now be estimated at 191,600 square miles, and the population at 34,000,000, though exact figures are not available. (The Moldavian Republic, formerly an autonomous republic in the Ukraine S. S. R., is now a constituent republic in its own right, with Kishinev as its capital.)

With the establishment of Soviet rule over Bessarabia, the Soviet system of State ownership of land, forests, and waters, and of banks, rail and water transport, large-scale industry (including public utilities), and trading agencies was also put into effect, and the first steps were taken toward collective farming of the land of the added area.

Agriculture in The Ukraine, "Bread Basket" of The Soviet Union

The Ukraine, the "Bread basket" of the U. S. S. R., is chiefly notable for its production of foodstuffs, principally grains, grown mainly in the strip of black soil which stretches across the republic in the south. The total cultivated area has been increased in recent years from the 63,535,000 acres recorded in 1935, the latest period for which figures are actually available. In that year the share of the Ukraine in the total sown area for the Soviet Union was 19.4 per cent.

Harvest yields vary greatly from year to year, because of the hot eastern winds that often prevail in the growing season and sometimes make the difference between success and failure of spring-sown grains in the eastern parts of the republic; but Ukrainian production runs from 20 to 25 percent of the Union output. Lately the Government has increased plantings of winter grains usually harvested in the first half of July, and reduced spring plantings ripening a few weeks later. It has also fostered the planting of shelter belts of trees, the digging of ponds, and the damming of streams, to counteract the drying effect of the winds.

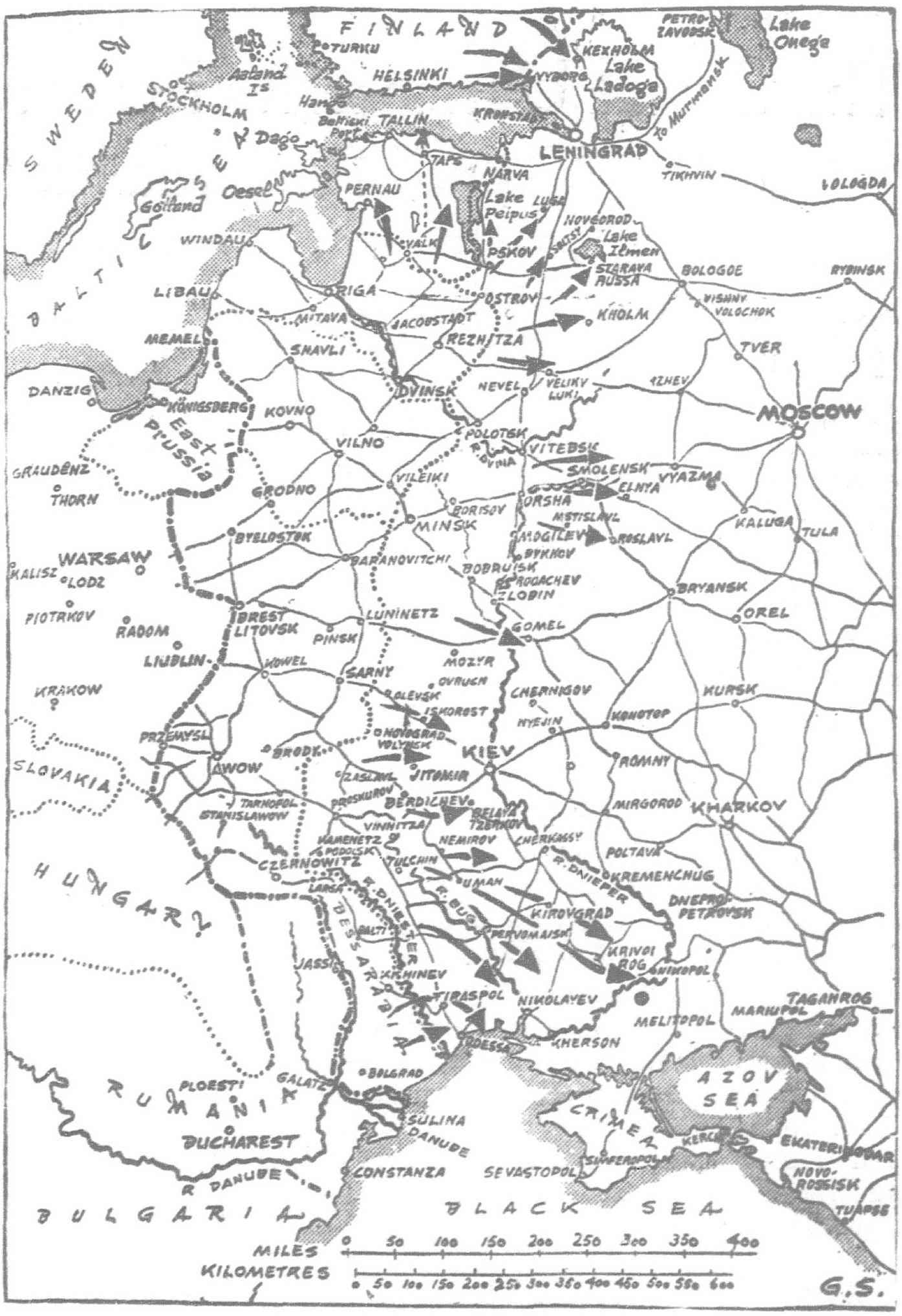
Of the grains raised, wheat occupied in 1935 the largest acreage sown, 17,100,000 acres, followed by rye (winter and spring), 9,043,000; barley, 7,547,000; oats, 4,533,000; corn, 2,784,000; and millet, 2,612,000 acres. In recent years the planting of millet, as specially resistant to drought, has been favored, with good results.

Ukraine Leads in Sugar Beets—Sunflowers Flax, Cotton, and Vegetables Raised

In addition to grains, other crops are also planted on a large scale by collective and State farmers. Of these, sugar beets covered the largest area, 2,095,000 acres, or 69 percent of the Union total, in 1935; this proportion has dropped since the introduction of this crop in other parts of the Union, but the Ukraine still leads in area planted and production of sugar beets.

Other imporatnt crops are sunflowers, to which 1,927,000 acres were planted in 1935; flax, 341,000 acres; and cotton, the acreage of which has increased greatly since 1935, when 387,000 acres were planted as an experiment. In 1937 the cotton area had expanded to 550,000 acres, had expanded to 550,000 acres, and it has risen steadily since then.

Other crops planted in the Ukraine include potatoes, vegetables, and fodder crops. In 1935, potatoes accounted for 5 percent of acreage planted, forage and fodder crops for 7.7 percent; vegetables were raised chiefly on the garden plots of collective farm members. Rice and flax have in recent years been added to the crops raised in the Ukraine, and the acreage planted has been steadily increased.



Map of Soviet Ukraine, Just Now One of the Major Centers of the Russo-German War: In Mineral and Agricultural Resources. This Is One of the Richest Regions in All Europe. Black arrows indicate course of the German invasion.

Collectivized, Mechanized Farming

Collectivization of agriculture, with a high degree of mechanization of farming operations, covers practically all of the cultivated area of the Ukraine. In 1935 only 1,000,000 acres were still tilled by non-socialized peasants, and the area is now smaller. The collective farms cultivated 52,847,800 acres and the State farms 8,856,300 acres.

The "plots" of the collective farm members aggregated 2,982,000 acres. On these they can raise, for use or sale, any desired crop, or can keep poultry or cattle; but they are forbidden to spend, on home plots, time that should be devoted to work for the collective.

Special collective-farm markets are maintained for disposal of their produce after payment of taxes and other dues.

Livestock Recovering Steadily From Former Grave Losses

Livestock in the Ukraine suffered greatly during the enforcement of collectivization of agriculture in the 1930's, and has not yet recovered, as a whole, from the losses incurred then.

The census in 1935 showed 2,544,000 horses, 6,269,700 cows and other large cattle, 2,746,200 sheep and goats, and 4,719,000 hogs. Since then these figures have risen steadily, however; the gains in Ukrainian communal herds alone, from 1939 to 1940, are reported as 70 percent for cows and other cattle, 83 percent for sheep, and 101 percent for hogs.

In recent years Government measures have encouraged the raising of livestock on collective farms and the setting up of poultry farms. Purchase of stock by farm members has also been facilitated. The number of draft animals has increased much more slowly.

Machine-Tractor Stations, Vital Element in Ukraine's Agriculture

In the 1930's the losses of horses were most severe, and the Government therefore undertook wholesale mechanization of all farming operations requiring animal power. Tractors were introduced for plowing, harrowing, and cultivating—combined harvesters for gathering the various crops—and seeding, planting, cultivating, and other attachments, manufactured in huge new

Soviet plants, as well as trucks for hauling, were supplied in large numbers to aid Ukrainian collective and State farms in their heaviest work. These machines are not the property of the collective, but many have purchased their own trucks.

Farm machinery is concentrated in machnie-tractor stations, which work for a fee, paid in kind, for all farms within a definite radius. Late figures of the number of such machines in use in the Ukraine are not available; but in 1936 the stations owned and operated 62,000 tractors, 14,160 combines, 25,000 seeders, 29,000 threshers, 9,000 sugar-beet diggers, and 14,000 trucks. Since that time the numbers of all machines have been greatly increased—tractors to 90,000, combines to 29,000, in 1937. The number of stations has also risen.

While the efficiency of machine work was at first low, and costs of the work to the collectives were high, in late years there has been substantial improvement. Plowing and planting operations are now performed more nearly on time, and haying and harvesting do not suffer the former delays.

Farm Production Mounts—Outstanding Work-Groups Get Premiums

It is stated that because of the more complete collectivization of the farm land in the Ukraine, and the greater efficiency of the peasant-members, the Soviet agricultural program has been more successful in the Ukraine than in some other districts of European U. S. S. R.

Soviet sources claim that collective farm production increased in 1940 over 1938 by 33 percent for grains, 44 for sunflowers, 42 for potatoes, and by considerable amounts for sugar beets and other "technical" crops. These results are laid to cooperation of the members with the Government policies, and better labor discipline in farm work.

The Ukraine was therefore chosen this year as the locale for the introduction of a new system of premium-payments for outstanding performances—not so much by an individual as by a group or brigade. Since all field work is new system is expected to raise the level of the group-work to that of the best workers; it covers not only work with crops but also animal husbandry, bee-keeping, and fur-raising. If the new plan produces the expected results it will be extended to other Soviet agricultural districts.

Resettlement Relieves Problems of Dense Population

The Ukraine is the most densely populated section of the U. S. S. R.—187 per square mile in 1933—and the crowded villages often suffered from famine in drought years. The Soviet Government has therefore revived the Tsarist policy of resettlement—to colonize the vast uninhabited spaces of Asiatic U. S. S. R., where the population is less than 1 person per square mile.

Early attempts at resettlement were unsuccessful, because of faulty preparation and insufficient support by the Government. Changes in the conditions, and greater assistance to colonists, were introduced in 1939, and many Ukrainian villages have since been relieved of overcrowding, while the settlers are reported to be doing well in their new homes.

Industry in The Ukraine

Besides its abundance of easily tilled land for agriculture, the Ukraine S. S. R. is also rich in mineral resources, and in hydroelectric power, on the basis of which many industries have been erected.

First among the minerals is coal, in the extensive Donets field, estimated in 1938 to contain 60.8 percent of the bituminous and anthracite coal reserves of the Union. Output of the highly mechanized mines in 1938 was reported as 80,733,000 metric tons—about 60 percent of the Union production. The republic has also extensive peat beds, producing more than 2,000,000 tons in 1938.

Combining coal from the Donets field with the iron ore from the mines in Krivoi Rog—which accounted in 1938 for 16,070,000 tons, 59 percent of the Soviet Union total—has made possible the development of a large ferrous metallurgical industry in the Ukraine, which was started before the first World War and has been greatly expanded since 1928.

Manganese, an essential metal in steel manufacture, is also available at Nikopol; the mines there produced 957,000 tons of ore in 1937, of a total of 2,752,000 tons for the whole U. S. S. R.

Ukrainian blast furnaces turned out 8,800,000 tons of pig iron in 1937, and 8,467,6000 tons of steel were also produced, out of Union totals of 14,487,000 and 17,730,000 tons, respectively. On January 1, 1935, the latest year shown, there were 55 blast furnaces in the Ukraine, representing 55 percent of the capacity of the country, and 117 open-hearth furnaces, representing 40 percent. Since then the number of furnaces has increased, but their standing in the country's total is lower, as new metallurgical plants elsewhere in the Union have been erected.

Production Activities Based on Power From Great Dnieper Dam

In 1932 the construction of a dam across the Dnieper River at Alexandrovsk (now called Zaporozhye) was completed, and in the next few years 9 turbines with a capacity of 850,000 horsepower were installed there. Around this center of electric power new towns have been built—manufacturing iron and steel, ferroalloys, aluminum, and magnesium, with the cheap current available. Coke is supplied by coke-chemical plants using Donets coal; and nearby plants supply cement, refractories, and limestone.

To utilize the iron and steel produced at Zaporozhye and other ferrous metallurgical plants, old and new, in the Ukraine, a large machine-building industry, also well developed before the War, has been further expanded since 1928. The plant at Kramatorsk turns out heavy machinery, that at Lugansk (now Voroshilovgrad) manufactures locomotives, and at Kharkov one plant produces large turbo-generators, another agricultural machinery, and a third tractors.

Electric power is supplied not only by the Dnieper station but also by numerous large and small steam plants—all hooked together into a superpower network. For additional fuel supply, an oil pipe-line runs from Grozny in the Northern Caucasus to the Donets Basin.

A new chemical industry has been built up in the Ukraine, utilizing coal and coke, salt, and other mineral deposits and products. Mercury has long been produced at Nikitovka.

Cement manufacture has grown rapidly, doubling its output between 1932 and 1937, and textile plants at Poltava have been built to utilize Ukrainian cotton.

Varied Benefits Derived From Dnieper—Three Fort Cities

The Dnieper is the only navigable river in the Ukraine proper, and damming the rapids at Zaporozhye has made it possible for boats to reach the northern border of the republic. Future developments here include the building of another power station at Kremenchug, of others at various points, and connecting the upper reaches with the Western Dvina and eventually with the Neva. A through water-route from the Black Sea to Leningrad will thus be assured.

The Dnieper flows into the Black Sea at Kherson, which is a growing port city. Other important ports are Odessa, formerly the chief point for grain exports, and Mariupol, now the largest shipper of grain in years of export surplus, and of coal and iron ore. This latter port, with elaborate docking and cargo-handling facilities, is an outlet for the products not only of the Ukraine but also of the interior districts of the U. S. S. R.

Transport and Communications

Railroad transport is provided by a network of trunk lines connecting the largest cities with one another and reaching north, west, and east, as well as by numerous short lines within the republic. This rail network is denser than that in any other district of the U. S. S. R. and is served by the largest Soviet locomotives and the most modern types of cars.

The traffic on Ukrainian roads is a decisive factor in giving Soviet railroads the highest traffic records in the world—4,175,000 ton-kilometers per kilometer of track in 1937, and higher now.

As elsewhere in the U. S. S. R., however, maintenance of way and of rolling stock suffers from the overloading of Ukrainian railroads, and inefficient operation reduces their performance. Attempts are being made to relieve this pressure by building motor roads and shipping where possible by truck. So far this program has had little effect.

Airlines crisscross the republic, and regular planes maintain connections with Russian cities and adjacent foreign countries.

Telephone and telegraph lines interconnect the cities and towns and are being extended throughout the countryside—first to the State farms and machine-tractor stations, and then to the collective farm centres, in which the peasant population is more and more being concentrated.

Labor and Living Conditions

In 1936 there were employed in Ukrainian large-scale industry 21.8 percent of all workers, engineers, and technicians and other industrial personnel in the U. S. S. R., and the proportion is probably about the same at present.

Industrial labor is recruited from the collective farms and the cities. Primary education, said to be universal, is followed by training in high schools, special factory extension schools, and universities for a selected proportion of pupils. A special branch for the Ukraine of the Academy of Sciences in Moscow has been established in Kiev, the capital of the Ukraine.

Educational and other cultural facilities are provided by the republican government, with heavy contributions from the Union budget. These and institutions for health protection—hospitals, clinics, maternity and rest homes—are continually being expanded.

Social insurance covers all workers, the funds being supplied by the Government but administered by the trade-unions.

Housing Receives Attention—Still Not Wholly Adequate

Housing is under the administration of the municipal government in the cities and is under public ownership—but individuals may own their own houses and obtain long-term loans to build them. Several of the new Soviet industrial cities have been built in the Ukraine, particularly in the Donets Basin and near the Dnieper dam. These cities are laid out according to a plan which includes plants and mills, hospitals, schools, theaters, new cities has, however, been so rapid and libraries, as well as housing for the population.

Industrial development in both old and new cities has, however, been so rapid that housing facilities are usually inadequate, and this condition accounts for the high labor turn-over that has characterized Ukrainian industry generally and the Donets coal mines in particular.

Income Probably Largest in Soviet Union

Ukrainian collective farmers are probably better off than those in any other part of the Soviet Union, in the matter of individual and collective income, except possibly in years of local short crops, when food and seed loans must be made.

As the most important national republic of the Union, the Ukraine has benefited by large additions to its budget from the Union budget receipts, and it also receives State support in many other ways. The Dnieper dam and many other industrial developments are State capital investments.

Cultural Manifestations—Birthplace of "Stakhanovism"

As in other national republics, the native language (like Russian, of Slavic origin) is encouraged, and is in general use in the government offices, the schools, and among the population. Ukrainian literature, drama, and similar cultural activities are fostered—Ukrainian writers and actors are decorated—industrial workers and farmers are publicized for their outstanding work.

The Stakhanov movement, credited with having resulted in a great increase in the productivity of Soviet labor in industry, and transport, originated in the Donets coal mines and has spread all over the Union. Ukrainian industrial workers have shared in the increase in average wages in the country—which were nearly trebled. in rubles, between 1929 and 1938.

Supply of Consumption Goods Lags

The Ukraine, however, also shares in the results of the pressure exerted, over the past few years, for increased production in industry and agriculture, and for more intensive work in transport, to make the country strong for defense.

While output of production goods and material for defense has grown rapidly, that of consumption goods has not kept pace with the demand, and the economic plan for 1941 calls for an increase in output of consumers' goods of only 19 percent by value, against 23.5 percent for production goods.

Since a large part of manufactured goods represents military supplies (textiles, leather and rubber products, foodstuffs), the amounts available for the civil population are strictly limited—in fact, rationed—and retail prices have been raised several times during recent years.

While the farmers in the Ukraine have benefited directly by the good 1940 crops, and their own share, above taxes and other dues, is said to be ample for comfort and even for a sale of surpluses, the shortage of many goods in the cooperative stores and the high prices of those that are available must prevent the gratification of many personal desires.

(Continued on Page 92)

SHIPPING

The Port of Tokyo

IT took a devastating earthquake and an unprecedented national emergency for Tokyoites to realize the potentialities of their city as a great seaport. But now, thanks to a natural catastrophe and a prolonged war, the Port of Tokyo has been developed and opened to ocean-going ships.

On May 20 this year official opening ceremonies were held for what is known as Keihin port, a combination of Yokohama and Tokyo harbors. More than 30 vessels in the new port flew decorations and the 8,000-ton Myoko Maru, a Toa Kaiun Kaisha liner from Shanghai, steamed in as the first ship to enter Keihin after its formal opening to foreign trade.

Prior to 1923, the year of the big earthquake, Tokyo's harbor facilities were grossly inadequate. A knowledge of the geography of this area is necessary to understand the situation.

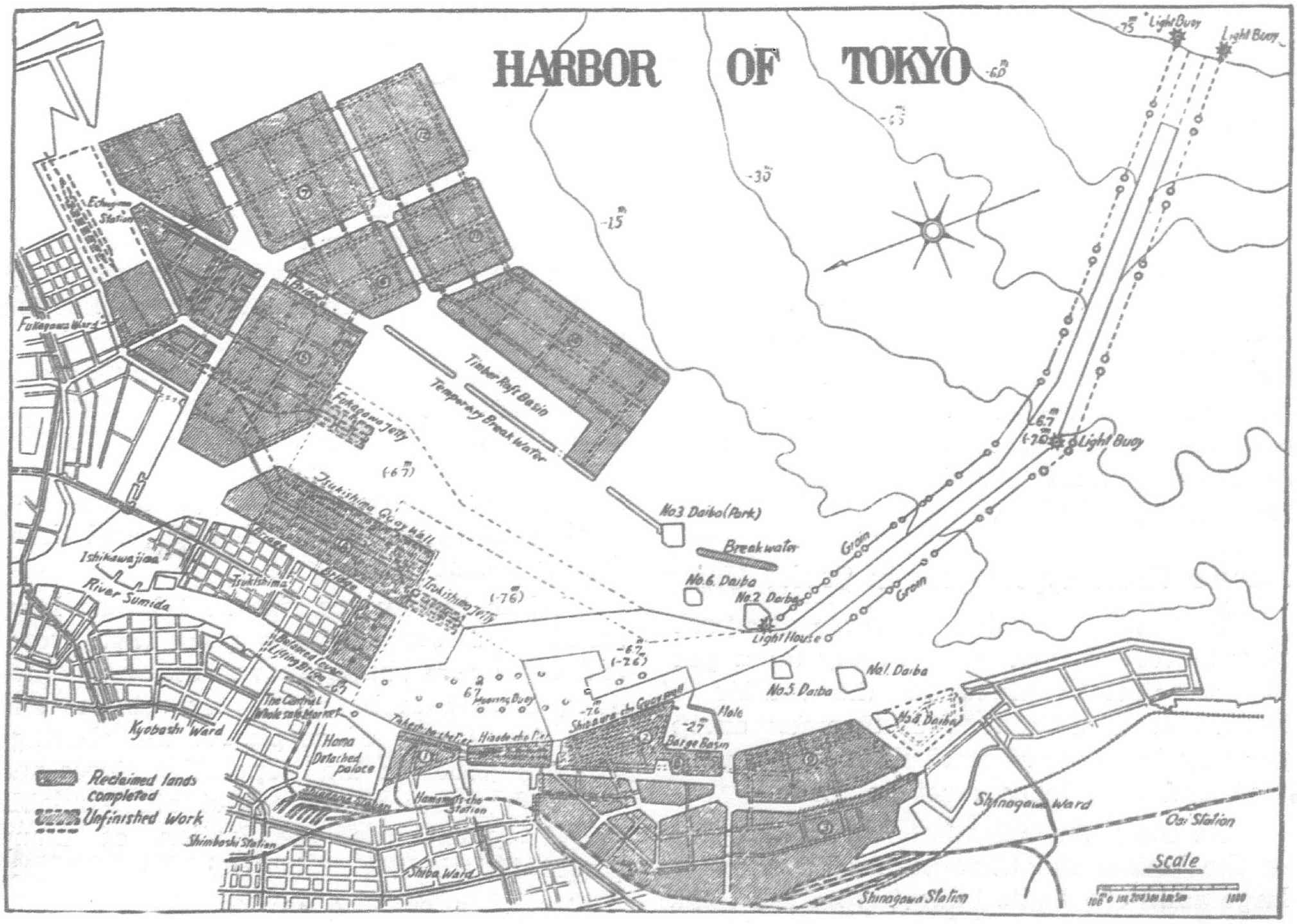
Through the years the Sumida river had silted up the harbor of Tokyo until it was too shallow to accommodate any but the smallest ships. Meanwhile all deep sea ocean traffic made Yokohama the port of call, almost 20 miles down the bay.

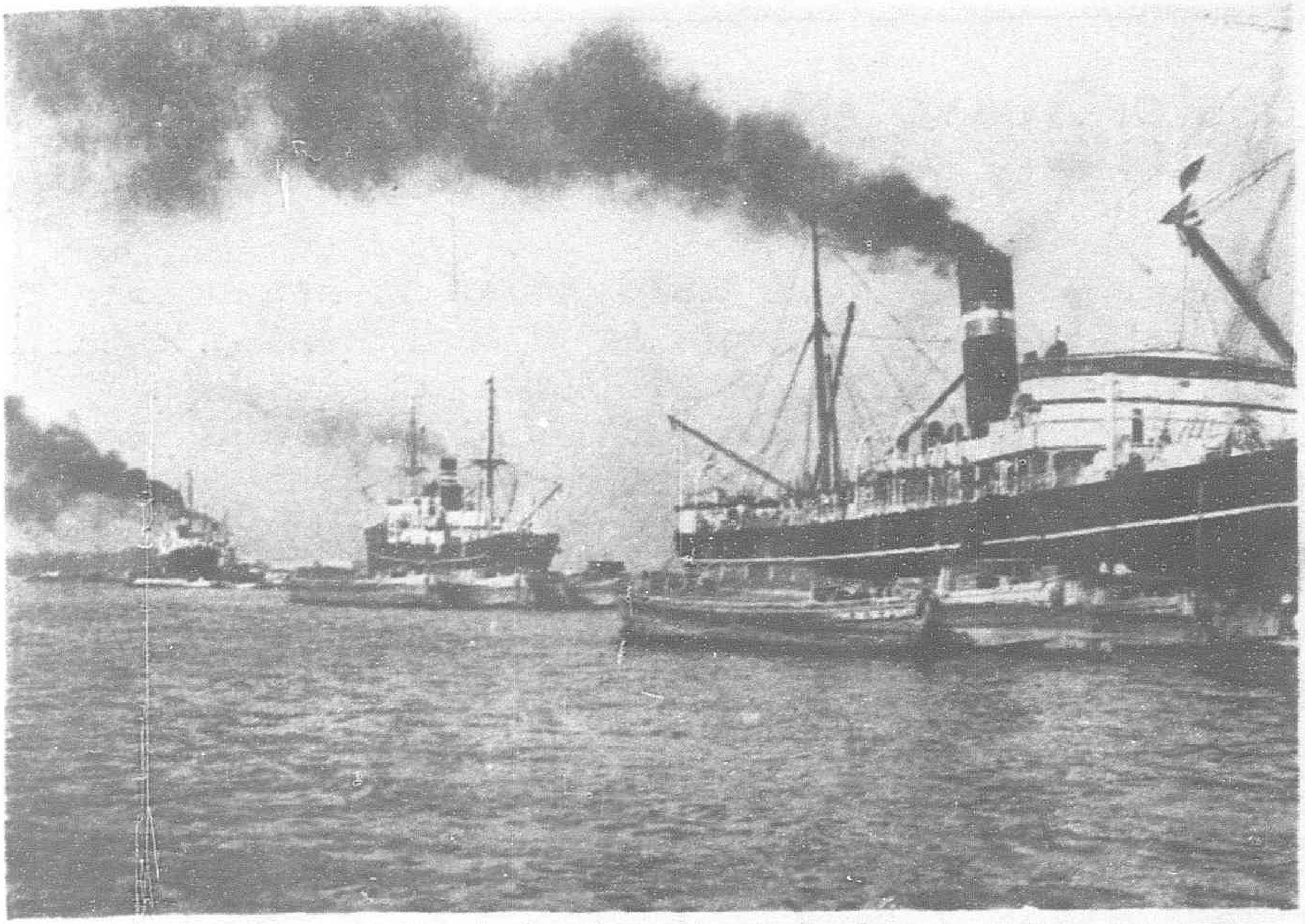
The first effort to improve Tokyo as a port was made in 1884 but without the plans being consummated. Between 1906 and 1911 the first Sumida River Mouth Improvement Project was carried out costing two and a half million yen. A channel was dredged to the harbor mouth—fully 9,550 meters long—the Hinode-cho Wharf was constructed and a large area of land was reclaimed.

The second project, carried out between 1911 and 1916 cost almost two million yen and an anchorage area was started. Still only craft of less than 2,000 tons could use the port and even some of these were grounded at low water.

The Great Disaster

Then came the earthquake, and land transportation between Tokyo and Yokohama was almost entirely disrupted. The limited





Freighters and Coastwise Vessels at Anchor in Tokyo Harbor

facilities of Tokyo harbor could not cope with the flood of relief supplies, food, and building materials needed in the capital but whose only route of ingress was by sea.

The disaster opened the eyes of the citizens to the necessity of possessing their own port, not only in case of emergency when land routes might be cut off, but as a matter of local prosperity. In the reconstruction scheme for the devastated capital, harbor construction was one of the essential points.

The third Sumida improvement project was given an appropriation of 18 million yen with an additional million and a half yen during 1924-25 for land and water connections. Upon completion of this phase the harbor was able to take care of 3,600,000 tons of cargo annually.

The Keihin Canal is now 22,600 meters long and from 600 to 700 meters wide. Ships in the 10,000-ton class can be accommodated. Vessels enter the canal from off Yokohama and find in Tokyo quays totaling about two miles in length. By using the 46 mooring buoys and the quays, 80 vessels of the 6,000-ton class can be accommodated at once.

For a time it appeared as if Yokohama's opposition to the scheme which would rob her of much of her business would block Tokyo's plans. What amounts to the amalgamation of Yokohama and Tokyo ports was approved by the Cabinet, however, and a working agreement was reached.

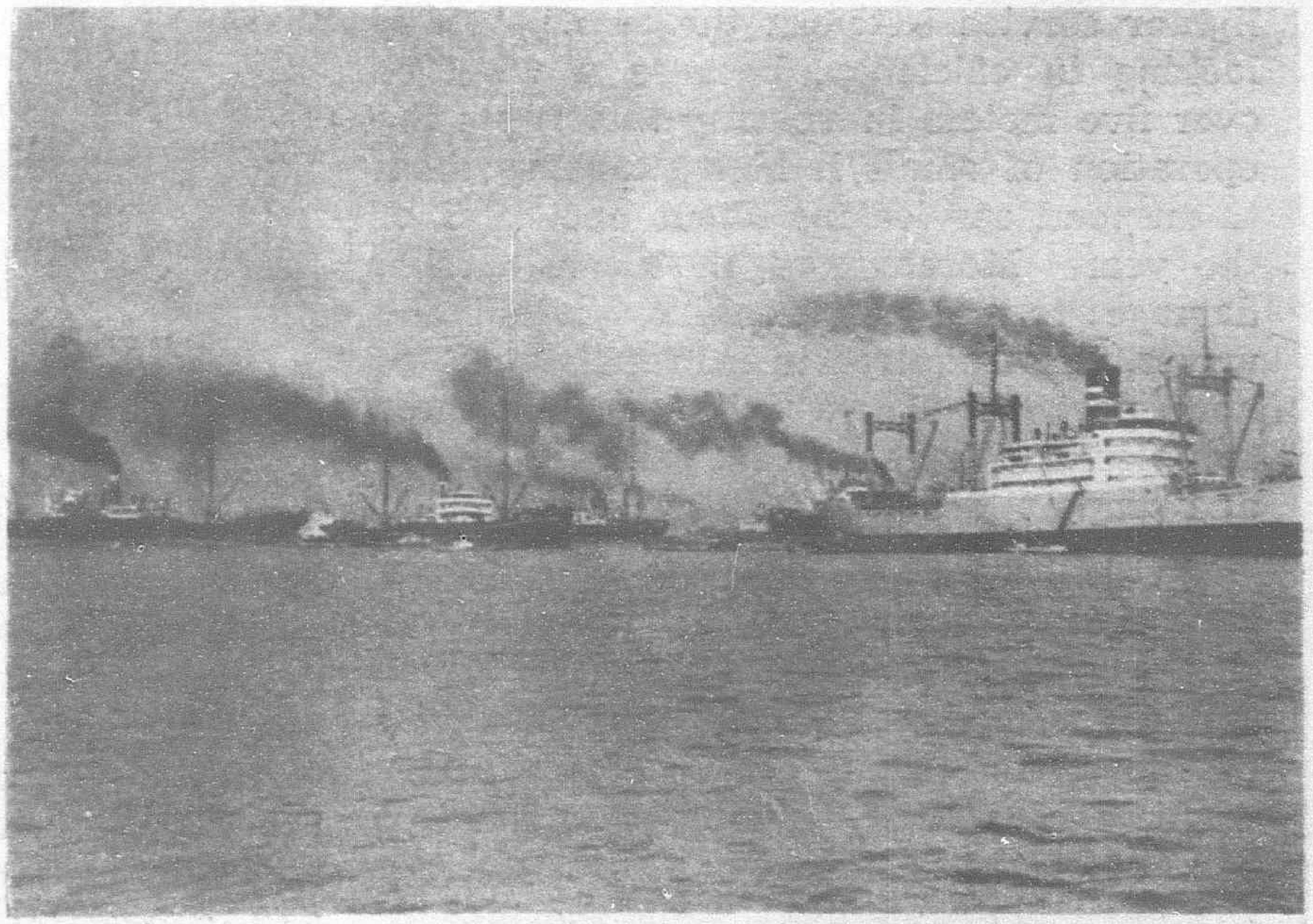
Difference Adjusted

Henceforth Yokohama is the port chiefly devoted to foreign trade and Tokyo will handle commerce primarily with Manchoukuo, China and the Japanese Empire. Since Tokyo is not a treaty port, no ship of foreign registry is supposed to enter Tokyo harbor. According to Japanese Customs Law, however, any vessel may enter the port after receiving special permission from the Tokyo Harbor Board. Under ordinary circumstances permission is granted as a matter of course, and in 1937 before harbor facilities had been improved, 137 foreign ships entered the port.

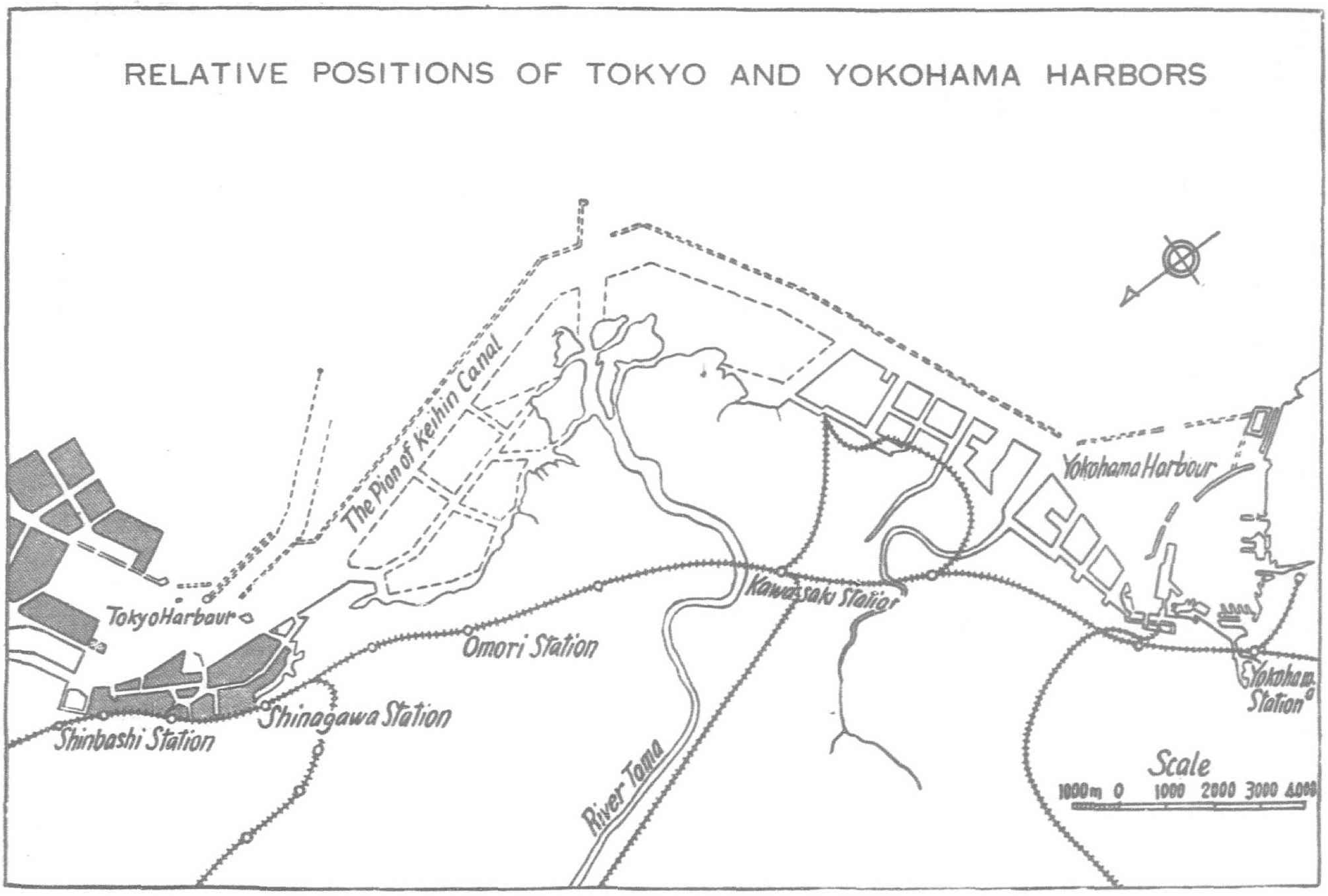
The Advantages

The principal advantages of the opening of Tokyo port, especially at this particular time when Japan is beset by a number of abnormal difficulties, may be outlined as follows:

(1) Goods are transported from Yokohama to Tokyo by sea by lighters and a quarter of the tonnage by land by motor-trucks. Of the consumption of



Another View of Tokyo Harbor



RELATIVE POSITIONS OF TOKYO AND YOKOHAMA HARBORS

gasoline hitherto required, 60-70 per cent will be saved by the opening of the Tokyo port.

(2) The lighterage from Yokohama to the Eitai Bridge on the Sumida River is Y.1.75 per ton, while the freightage from Yokohama to the Shiodome Freight Station of Tokyo is Y10.60 per ton. These high rates of transportation will be considerably lowered by the operation of the new port, contributing much to the regulation of the prices of commodities. The lighter service between the two points is lacking in efficiency, because a wind of over five meters in velocity interrupts the operation of small lighters, causing them to suspend service for about one third of the year. Moreover, against considerable damage to cargoes done by wind and waves, it is required to insure them. The new port of Tokyo will remove these troubles, and lowering the prices of export and import goods.

(3) To make matters still worse, owing to the shortage of lighters and trucks due to an enormous increase in traffic, the economy of oil, the insufficiency of labor, and some other factors under wartime conditions, Yokohama and Tokyo has of late been without satisfactory efficiency and rapidity. This shortage of transport capacity will also be to a considerable extent remedied by the opening of the port.

Work continues to progress on anchorage facilities, extension of the breakwater and enlargement of warehouse and unloading facilities while rail and truck connections are being improved. Transit sheds and railway yards are still insufficient for the port's needs as can be seen by the fact that cargo handled annually at Hinode-cho Pier amounts to more than 2,000 tons per linear meter of wharfage whereas the gross volume of freight moored to buoys in the harbors tops 280,000 tons per buoy.

Despite these deficiencies the total volume of cargo handled at the port of Tokyo has reached a new peak, the growth naturally lessening the burden on freight traffic at Tokyo railroad terminals.

For all the merits of the newly opened port, however, there is no doubt that its development, in name and reality, into a great modern port will not be realized before its harbor equipment has been perfected according to modern standards.

When Keihin port has been fully developed, embracing Yokohama at the western extremity and the coastal ports of Yedogawa and Chiba to the east with Tokyo and the Keihin canal in the center, it will be ready to claim recognition as a world port and a worthy gateway to the capital of Japan.

Tokyo Extending Subway System

THE program of transportation facilities in Tokyo that is to be executed by the newly organized Tokyo Rapid Transit Operating Syndicate, and the importance of underground lines in the city's transportation system are explained by the Railways Ministry in a recent issue of Shoho, published by the Board of Information.

The population of Tokyo in 1940 was about 6,800,000, increasing some 900,000 in the past five years. At this rate of increase the population is estimated to reach 10,000,000 in a little more than ten years, and then the traffic will be increased two to three times. The transportation facilities naturally have to be expanded to two to three times the present capacity. Then it must be studied as to what kind of transportation facilities will be most suitable for the future.

At pressent, in all important cities of the world, street cars, motor buses, taxies and rapid transit lines are utilized. If the transportation capacity of one line of street cars is fixed at 100 that of rapid transit line will be 350, that of motor buses 60 and that of taxies 20. Then the transportation capacity of each one meter of the width of a street will be 240 in the case of rapid transit lines, 100 in the case of street cars, 45 for motor buses and 20 for taxies. Thus from the consideration of the carrying capacity of one lines as well as the capacity of the street space, rapid transit lines are found superior to all others.

Surface Vehicles Cannot Expand

But as the expansion of cities and their populations will increase the traffic on the streets, surface transportation systems will have the size of cars, speed of operation and number of trips much restricted and it is impossible to expect of them any greater capacity than at present. Thus in future elevated lines or underground lines have to be utilized. In comparing the two, elevated lines can be constructed at a cheaper cost, but they are liable to disturb the beauty of the city and also cause much noise. Then their supports, pillars or walls will obstruct the street traffic, and also elevated lines are in great danger in case of air raids.

Thus at least in the central regions of a city, it is necessary to construct underground lines. In this manner, it can be said that underground lines are the most suitable as the future transportation lines.

In constructing an underground line, the cost will be at least Y.7,000,000 to Y.8,000,000 including the cost of cars and other equipments. Therefore a line of one or two kilometers is impossible to be operated, and only when it is run to a certain length does it become profitable. Thus it is difficult as a private enterprise. Furthermore, as underground lines are to become the main transportation system in the future, they have to be constructed strongly and speedily. Operation as a profit-making enterprise, therefore, will not fulfill its original mission. The operation of underground lines has to be made under a system that is almost a State operation, rather than as a public utility enterprise.

Approved by Diet

Thus the Government decided to establish the Tokyo Rapid Transit Operating Syndicate for undertaking the construction and operation of underground lines in Tokyo, and submitted a bill for the Tokyo Rapid Transit Operating Syndicate Law to the 76th Diet this year. As it was approved by the Diet, the Law was promulgated on March 6, and became effective on May 1. Thus the Tokyo Rapid Transit Operating Sydnicate was formed on July 4.

The Tokyo Rapid Transit Operating Syndicate is capitalized at Y.60,000,000 of which the Government (Imperial Railways Accounts) subscribed Y.40,000,000, the remaining Y.20,000,000 being invested by the City of Tokyo and suburban electric line companies.

Against such investments, investment certificates are issued according to an Imperial Ordinance, and the Syndicate is also empowered to issue Transportation Debentures to the extent of ten times the paid-up capital. The amount required for the construction of underground lines or the purchase of existing lines will be met with the issue of these Transportation Debentures.

The Syndicate is shortly to receive the transfer of the entire operating lines and unconstructed lines of the Tokyo Underground Railway Company, the Tokyo Rapid Transit Railway Company, the Kei-hin Underground Railway Company, and the City of Tokyo. The construction of 70 kilometers of new lines will take probably more than ten years, while such lines demanding urgent construciton will be speedily undertaken one by one.

The method of laying underground lines, of course, differs according to the shape and condition of a city. In a city like Tokyo that is formed in a semi-circular shape, facing the bay, the so-called Turner system is most convenient. Under the Turner system, from a suburban point a line reaches the city's centre and then goes to another suburban point.

Plan of Subways

The underground lines projected in March, 1925, as the rapid transit lines of Tokyo and those approved for construction by the Kei-hin Underground Railway Company are mainly as follow:

Via	To	Length (kil'm.)
From Gotanda Shiba Park, Shimbashi, Nihonbashi, Manseibashi, Uyeno, Asakusa	Oshiage	16.7
From Meguro Nishiokubo, Iwaida-machi, Muro-machi, Asakusa-bashi, Tawaracho	Minamisenju	16.1
From Shibuya Tamura-cho, Tokyo Station, Manseibashi, Okachi-machi, Hongo-sanchome, Takehaya-cho	Sugamo	15.4
From Shinjuku Yotsuya-mistuke, Hibiya, Tsukiji, Kakigaracho, Hongo-sanchome	Otsuka	20.0
From Ikebukuro Waseda, Iida-machi, Hitotsubashi, Tokyo Station, Eitai-bashi	Susaki	14.2
From Mita-Nichome Gotanda	Magome	7.2
From Shinagawa Tamachi, Minami-Sakuma-cho	Shimbashi	5.1
	Total	94.7

These lines were planned more than 10 years ago and there might be necessary some changes in view of the recent traffic condition. Yet they connect important points in the city, and also suburban points with the city's center. In constructing these lines sufficient study must be made so that not only will they be the main transportation lines but also be able to operate properly in time of emergency.

15 Cities Have Subways

There are about 15 cities in the world that have underground lines, the ten most important cities as follows:

	Total length (Kilo'm.)	Per 100,000 population (Kilo'm.)	Opened to traffic
New York	214	3.1	1903
London	133	3.2	1863
Paris	126	4.5	1900
Berlin	68	1.6	1902
Moscow	27	0.7	1935
Boston	20	2.6	1898
Madrid	18	1.8	1919
Tokyo	14	0.2	1927
Glasgow	11	1.0	1896
Osaka	8	0.2	1933

The "tube" in London is the oldest, having been opened to traffic more than eighty years ago, and is 30 meters under the surface at the deepest point. In runs in all directions and also to suburban districts. The lines in Paris, Berlin and New York were all opened about forty years ago.

The New York Subway has double-tracks inner two lines being for express trains, and is operating at a great transportation capacity. The underground lines in Moscow have recently been opened to traffic at an average of six kilometers a year, and in speedy construction as well as station and car equipments, it surpasses the average of six kilometers a year, and Tokyo line by far. The per capita length of underground lines of Tokyo is still far behind other countries, and thus in length and quality, the Tokyo lines are much inferior.

For the construction of underground lines, it is important that the supply of capital, materials and labor is made smoothly. Also the co-operation of the public is necessary. Often complaints are made by the people along the line under construction, and they obstruct the construction work. Thus it is desired that all Government offices as well as the public will co-operate so that the construction of new lines will be speedily and smoothly accomplished.

In conclusion, it must be added that at the present time of Extraordinary Emergency, the subway of Tokyo is being operated as efficiently and smoothly as usual.

Manchuria and Korea's Iron Industry

(This is a translation published by *The Oriental Economist* of an extract from *Impressions of Manchuria and Korea's Industries* by Mr. Tanzan Ishibashi, Editor of *The Oriental Economist.* Mr. Ishibashi last year made a trip to Manchoukuo and North Korea, lasting month and a half, looking into general industrial conditions obtaining in these interesting regions.)

IT is a fact beyond doubt that Manchuria has fairly abundant subterranean resources. Broadly speaking, these underground resources are found, for the most part, near the Manchurian-Korean border. On the direct line drawn between the iron mine at Anshan in Manchuria and Mosan Iron Mine in the northeastern extremity of the mines of Tungpientao, Manchuria, as also are the iron and coal mines at Penhsihu.

Farther west, coal is found in abundance in Chinchow Province and the neighboring districts. Fushun, which is now the center of attention as a petroleum producing area, is also in Chinchow Province. An oil vein was found during the coal mining operation. Then east from there is the Mishan coalfield. The location of this coal mine slightly deviates from the angle of the Manchurian-Korean border, it is true, but it is in the southern part of Manchuria all the same.

In Korea, the underground resources are abundant in North and South Kankyo Provinces close to the Manchurian border. The iron mine at Rigen already has been under operation, and its ore is used by the High Frequency Heavy Industry Company and the Mitsubishi Mining Company's refinery at Seishin. Coal is produced in abundance also in these provinces. In these districts is produced brown coal in particular which is suited for coal liquefaction. This particular line of industry was started by the Japan Nitrogenous Industry Company, which has opened factories at one or two placse.

What is most noteworthy in Korea is the iron mine at Mosan. True, its ore is of low grade, containing only 32% or so of iron but its redeeming feature is its extreme abundance.

Besides iron and coal, Manchuria and Korea have many other kinds of mineral resources, namely, tungsten, molybdenum, manganese, chrome, lead, gold and magnesite. The quantity and quality of the last mentioned are said to top other world magnesite deposits. Also produced here are dromite, silica, steatite and asbestos.

A rare kind of mineral called nitric earth, containing sodium nitrate or potassium, has been discovered recently in Manchuria by the Continental Institute of Science. It contains one-half the nitrogen content of a beancake and serves as an excellent fertilizer. Heretofore, this particular product has been used by the natives to make powder for fireworks.

Iron, the most important mineral produced in Manchuria and northern part of Korea, is being intensively extracted by the High Frequency Heavy Industry Company, the Mitsubishi Mining Company's refinery and Mosan Iron Mine in Korea, as well as the Penhsihu Iron Manufacturing Company, experimental iron manufactory in Fushun and the Showa Steel Works in Anshan, Manchuria, which the writer recently had the opportunity of inspecting.

As a result of this actual inspection on the spot, this writer has clearly recognized the fact that there is plenty of iron ore in Manchuria and Korea, though high grade ores are quite scarce. Even Penhsihu and Anshan actually produce only a small amount of ores containing more than 60% iron. The same can also be said of the resources in Korea. Mosan in Korea is a very big iron mine, but its ores are of low grade. It is said that Tungpientao in Manchuria has rich deposits of high grade iron ores, but these as yet have not been extracted. Though mining operations have made fairly good progress, the work has been hindered by the absence of railway facilities. Therefore, it will still be a considerable time yet before the stage will be set for a full exploitation of this ore in the true sense of the term.

Practically all the factories in actual operation in Manchuria and the north part of Korea, with the exception of the experimental factory in Fushun, are for the purpose of recovering iron from low grade ores. The Japan Iron Manufacturing Company's iron works presently under construction at Seishin in Korea also is intended for the same purpose using the ores produced at Mosan Iron Mine.

Manchuria and Korea have abundant coal resources. But here too the coal of high viscosity suited for iron manufacturing coke is scanty, indeed more so than is generally supposed. The Mishan coalfield, shows very good prospects of producing coal that will serve excellently in iron manufacture, and the Japan Iron Manufacturing Company's factory at Seishin, Korea, has laid a plan to use this coal along with iron ores from Mosan. As long as coke is essential to steel making it is necessary to bring about an increase in the production of coal of suitable quality in order to effect an increase in iron ore production in Manchuria and Korea. It is apparent that two problems await solution before the iron industry of Manchuria and Korea makes strides. Firstly, their iron resources consist of low grade ores and, secondly, the supply of coking coal is hardly plentiful. Therefore, though it is a fact that Manchuria and North Korea have extensive ore resources, much painstaking effort will be required if this iron ore is to be refined in sufficient abundance so as to increase the supply of iron. That surely is not a simple problem.

As to the practical methods of iron recovery from low grade ore, it can be said roughly that there are two. One of them is to pulverize ore, wash the ore thus pulverized with water and segregate the iron contents by magnetic power. At Mosan, for instance, ore containing 31 or 32% of iron is put into crushers as often as four times and is thus turned into powder containing 34 to 66% iron.

The ore thus pulverized, before being turned into the blast furnace, is subjected to intense heat and is turned into a form similar to dross or brick. A similar process is adopted by the Showa Steel Works in Anshan and the Iron Manufacturing Company in Penhsihu. The Japan Iron Manufacturing Company's factory at Seishin, which is presently under construction, is to use a similar method, using dressed Mosan ores.

The other method is to use low grade ore as it is, without adopting any process of dressing. The High Frequency Heavy Industry employs this method, which, it should be noted, was invented in Japan. Besides this method, there is another process, which is called the Krupp direct method of iron manufacture. This system has been adopted by the Showa Steel Works at Anshan and the Mitsubishi Smelting Works at Seishin.

Under the high frequency process, low grade iron ore, along with anthracite coal, is pulverized into powder and to this mixed powder of ore and anthracite is applied high frequency current. The Krupp direct method also uses low grade ore and anthracite coal pulverized in powder form. In both cases, dust coke may be used in place of anthracite. But unlike the high frequency method which uses an open furnace of a highly simple construction, coal and limestone are added to pulverized iron ore and turned into a rotary kiln. The coal fire is then blown into the ore by turning the kiln in a manner similar to that employed in the manufacture of cement, and the ore is thus smelted and iron finally obtained. The iron thus reduced still impure as it contains dross, called luppe, comes out in round forms of varying sizes, from 1 to 2 inches in diameter to the size of a rice grain. From this mixture of luppe and dross, the former is separated by application of magnetic power. Of course, the luppe thus obtained varies in quality, owing to the nature of the ore and to other circumstances. On the whole, however, it contains little carbon and constitutes a near approach to steel. According to the examination made at a certain place, it has been found that it contains 96% of iron, 0.7—1.5% of carbon, 0.02-0.1% of sulphur and 0.07—0.2% of phosphorus. It may thus be seen that it is fairly excellent in quality. Iron obtained by the high frequency method is of a still greater purity.

The Krupp iron manufacturing method which is in operation at Seishin and Anshan, and which was invented in Germany, has a counter-part in Japan. It is employed at the Physico-Chemical Research Institute's factories in Tokyo in its manufacture of iron. Then, it may be noted, there is the Japan Special Steel Pipe Company's iron works at Ohminato in Aomori Prefecture. This factory uses the rotary kiln also for the purpose of refining sand iron obtainable in the locality.

The Krupp method, the method adopted by the Physico-Chemical Research Institute and by the Ohminato plant of the Japan Special Steel Pipe Company and the method in use in High Frequency Heavy Industry are iron manufacturing techniques which have special significance for Manchuria and Japan, although the last mentioned is different in design from the foregoing three. The outstanding characteristic of these methods is that, as already mentioned in the fore-

(Continued on Page 68)

Meng Chiang: The New Mongolian Federation

(U.S. Foreign Commerce Weekly)

FEW people in the United States have heard of Meng Chiang, the buffer area lying along the Mongolian border that separates Japanese-occupied China from Soviet-dominated Mongolia. Even those who know the name are not quite sure where it is or what it is. Undoubtedly it is an area of importance, largely composed of what was formerly called Inner Mongolia. But whether it is a "state" or not depends very much on the point of view.

Yet for centuries Meng Chiang has been a great transit area of trade, over which caravans brought in to Kalgan, Kweisui, and Paotow—chief cities of Meng Chiang—the furs, wool, and opium that made up the principal part of the trade of North China with Turkestan, Tibet, and Mongolia. Back across the desert the same camel trains took to the nomad peoples of Central Asia the teas of China and the cotton piece goods, petroleum, tobacco, and miscellaneous manufactured products of Europe and the United States.

It was a barter trade, for the most part, and even in the Twentieth Century, there flourished at Kalgan a considerable colony of American traders who for more than a decade sent their motor-trucks loaded with Chinese silver dollars over the 800 miles of rocks and sand between Kalgan and Urga to exchange them for Mongolian furs. But the devastating movements of armies over this area, and finally the severance of trade relations between Outer Mongolia and North China since about 1932, have driven these American merchants and their trade out of the country.

Genghis Khan, The Conqueror, A Part of Meng Chiang's History

Meng Chiang, nevertheless, still is of importance, both in the economic structure of North China and in its political implications. It has served as proving ground for the development of Japanese economic policies which have been subsequently transferred to other occupied areas. This has been emphasized particularly with respect to export embargoes on furs and wools, and to the establishment of stringent trade and exchange controls in North and Central China.

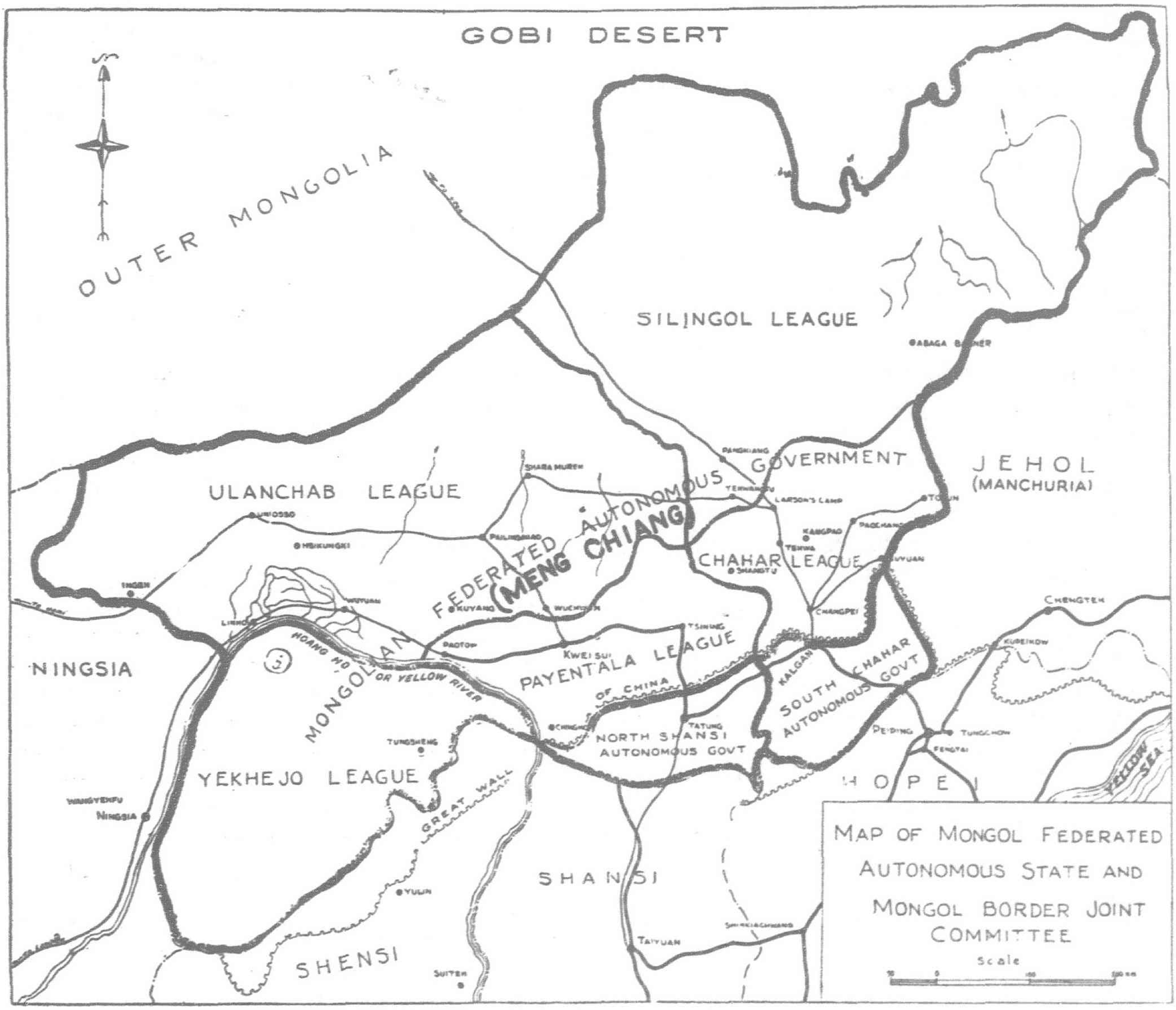
Historically, Meng Chiang has had its share of the barbaric adventure that has usually colored border life in all ages, and, though its population is nomadic and sparse, it has not been without colourful personages. The name "Meng Chiang" means "lands along the Mongol border," and when in 1939 these were organized into the "Mongolian Federated Autonomous Government" under Japanese auspices, Prince Teh, or Teh Wang, leader of the "young Mongol" movement, was appointed president. Prince Teh of the Twentieth Century is a living link with the mighty past, for he is a lineal descendant of Genghis Khan, the conqueror, and hereditary chief of the West Sunit Banner of the Silingol League of North Chahar.

Through the Wan Shan Pass, only 35 miles outside of Kalgan, Genghis Khan led his Mongol hordes in the Thirteenth Century, and two generations later his grandson, the great Kublai Khan, breached the Great Wall at the same place to conquer China and found the city of Peking.

More familiar to modern Western newspaper readers than these mighty names is that of General Ma Chan-Shan, the illusive Manchurian cavalry leader whose periodic resurgence, following the many reports of his death in the present Sino-Japanese activities, suggests the nine lives of a cat.

The Core Of The Mongol Nation

Since the Chinese Republic was established in 1911, the ancient "banners" of the Mongols have undergone many vicissitudes. In 1921 the northern Mongols of Outer Mongolia, "core of the Mongol nation," set up at Urga—since renamed Ulan Bator Khota, the city of the Red Hero—an Outer Mongolian Peoples' Republic of pro-communistic type, under Soviet auspices. In 1931, with the occupation of Manchuria by Japan's Kwantung army, the land of the Hsingan Mongols of northeast Manchuria was incorporated into the new "state" of "Man-



MAP OF MONGOL FEDERATED AUTONOMOUS STATE AND MONGOL BORDER JOINT COMMITTEE

choukuo"—to which were added in 1935 the former Chinese Inner Mongolian Province of Jehol, and in 1936 the six northern "hsien," or counties, of the Inner Mongolian Province of Chahar.

Of the Mongolia that had been formerly claimed by China, these dissections left under the control of the Chinese National Government the 10 southern hsien of Chahar Province, the Provinces of Suiyuan and Ninghsia, and a vast arid area of Central Asia that stretches to the Altai region and includes Tibetans, Tungans, and other nomad Mongoloid peoples.

Shortly after the outbreak of the "China Incident" in July 1937, Japan's Kwantung army swept into Inner Mongolia and in rapid succession occupied the area's four chief cities, located along the strategic Peking-Suiyuan railway—namely, Kalgan, Tatung, Kweisui (renamed Hohohoto), and Paotow, the railway's western terminus.

"Autonomous" Government Established

With the assistance of certain Mongol and Chinese leaders, the Japanese established at Kalgan, on November 22, 1937, the "Federated Council of the Mongol Border Land"—Meng Chiang—with general supervisory functions over three minor so-called federations, (1) the "Federal Autonomous Government of the United Leagues of Mongolia," with its capital at Hohohoto in Suiyuan Province, and comprising the ancient Mongolian leagues of Ulanchab, Yegkejo, Payentala, Silingol, and Chahar; (2) the "Federal Autonomous Government of Chin-Pei (North Shansi)," comprising the 13 hsien of Shansi Province, with its capital at Tatung; and (3) the "Federal Autonomous Government of Cha-Nan (Southern Chahar)," comprising the 10 southern hsien of Chahar Province, with its capital at Kalgan.

On September 1, 1939, Meng Chiang was reorganized and as it is constituted today, renamed the "Federal Autonomous Government of Mongolia."

Strategically Located As Buffer Area

About midway between California and Texas in size, with an area of roughly 200,000 square miles, Meng Chiang has a population of 5,000,000 to 7,000,000 Chinese and Mongols and 36,000 Japanese civilians, whose numbers have rapidly grown since the autumn of 1937. Its very small European population consists mainly of a few Belgian and French Catholic missionaries, several Swedish missionaries and traders, and a group of White Russian railway and telegraph guards. The American colony which flourished in the heyday of the Kalgan fur trade, less than 20 years ago, has almost entirely disappeared.

Politically and strategically, the region occupies an important position as buffer between North China and Outer Mongolia, and as a protection to the southwest flank of "Manchukuo." It controls some 500 miles of the Peking-Suiyuan Railway, westward from Nankow Pass (roughly 30 miles west of Peking) to a short distance beyond Paotow, the terminus. Its southern border follows the boundaries of the Chinese Provinces of Hopei and Shansi, along the southern spur of the Great Wall; along the east it joins the Manchurian Provinces of Jehol, West and South Hsingan; on the north it confronts the "Outer Mongolian Peoples' Republic"; and on the west it disappears into the arid wastes of Central Asia.

Trade Declines with Gain in Strategic Importance

Aside from the Peking-Suiyuan Railway, Meng Chiang includes as a basis of commerce the extensive coal fields that lie about Tatung, and the Lungyen iron deposits of Chahar, richest known iron-ore field in China—while the most fertile lands of Chahar and Suiyan lie along either side of the railway, particularly in the fertile Saratsi Basin where the Chinese International Famine Relief Committee formerly had an important irrigation project.

But since the autumn of 1937 serious deterioration in Meng Chiang's economic and financial status has occurred as a result of several factors. A once-important caravan trade with Central Asia has almost ceased, and a considerable portion of the 8,000,000 acres that were under agricultural cultivation have been allowed to revert to pasture land. Severe restrictions on trade, travel, and foreign-exchange transactions have driven merchandise away from the railway zone in the efforts of producers to evade forced sales at officially fixed low prices. The larger portion of the wool, furs, and opium that came into China across Meng Chiang before 1937 can no longer be obtained.

One of the most interesting of the commodities for which the Meng Chiang area used to be famous is ma huang, or ephedra. The drug has been known to modern medicine for less than two decades, but the Chinese have used its derivative, ephedrine, in the treatment of respiratory disorders and feminine ills since the time of Shen Hung, 2852 B. C. During the Ming dynasty (A. D. 1368-1644) it was held in such high repute that Mongol and Manchu chieftains made their tribute payments to their imperial overlords in ma huang.

Heavy Import Excess Built Up

For the first half of 1940, recorded Meng Chiang rail imports, comprising about 90 percent of total imports, amounted to 129,726 tons, valued at 82,347,000 Meng Chiang yuan,* and were 16 percent larger in quantity and 17 percent higher in value than in the same period of 1939 (table 1); whereas 1940 Meng Chiang exports by rail of 329,409 tons (exclusive of opium), valued at 28,784,000 M. C. yuan, were about 38 percent less in quantity and 55 percent smaller in value than in the first half of 1939 (table 2). On the basis of these figures, Meng Chiang had a visible import excess of 53,563,000 M. C. yuan in the first half of 1940, compared with 5,954,000 M. C. yuan in the same period of 1939.

Total Meng Chiang rail imports in 1940, however, were reported as valued at 157,707,000 M. C. yuan, against rail exports to the value of 113,308,000 M. C. yuan for 1939, giving a visible import excess for the year of 41,398,000. No other trade figures for the entire year are available.

TABLE 1.—*Reported Rail Imported Into Meng Chiang, January-June 1939 and 1940*

Commodity group	1939		1940	
	Quantity	Value	Quantity	Value
	Tons	M. C. Yuan	Tons	M. C. Yuan
Textiles	8,908	20.114,000	2,370	11,098,000
Seasonings	10,706	5,646,000	6,546	1,289,000
Luxury goods	6,296	7,935,000	8,098	15,674,000
Metals and Machinery	10,588	13.219,000	12,962	14,724,000
Timber and lumber	20,204	3,418,000	41,058	9,674,000
Foodstuffs and cereals	13,312	4,914,000	16,526	8,098,000
Other merchandise	41,916	15,112,000	42,116	21,795,000
Total	111,990	70,358,000	129,726	82,347,000

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*The value of Meng Chiang yuan is at par with Japanese yen or Manchurian yuan.

TABLE 2.—*Reported Rail Exports From Meng Chiang, January-June 1939 and 1940*

Commodity group	1939 Quantity	1939 Value	1940 Quantity	1940 Value
	Tons	M. C. Yuan	Tons	M. C. Yuan
Cereals	234,839	29,566,000	28,438	9,609,000
Opium (ounces	(3,000,000)	21,695,000	(283,000)	3,529,000
Skins and furs. .	466	1,622,000	924	2,746,000
Mineral products	264,895	1,645,000	274,200	1,522,000
Seeds	5,148	1,081,000	2,296	1,451,000
Animal hair	1,118	2,642,000	1,070	1,576,000
Medicines	3,355	3,597,000	2,451	1,583,000
Other merchandise	21,800	2,556,000	20,030	6,768,000
Total	*531,621	64,404,000	*329,409	28,784,000

*Opium omitted from the total.

Crop failures in 1939 necessitated heavy foodstuff imports in the first half of 1940, while consumers' goods such as textiles and seasoning (sugar, salt, and others) dropped in value by 9,021,000 and 4,357,000 M. C. yuan, respectively. The volume of 1940 imports of motor vehicles, petroleum products, and paper was lower than in 1939, but values were higher, in consequence of price advances.

Currency And Credit Inflation Dries Up Supplies

From the point of view of yen-bloc trade and visible trade balances, such commodities as cereals, opium, and mineral products (coal and iron) are the most important exports from Meng Chiang, but from a world-trade viewpoint Meng Chiang exports of furs, animal hair, linseed, mustard seed, and ma huang (ephedra) are still valuable as the commodities out of which foreign exchange is derived, with which the area pays for its imports from countries outside the yen bloc. However, since much of the opium eventually finds its way to Shanghai, that commodity also is convertible into foreign exchange through the medium of Shanghai dollars.

During the past 3 years, the Meng Chiang regime has become involved in a program of currency and credit inflation which has adversely affected the development of mining and industrial enterprises and the production of producers' and consumers' goods in quantities adequate for the needs of the region. Table 3 shows that for the 37 months following December 1937 the Meng Chiang note issue increased at an average monthly rate of 12 percent—used in part to finance the establishment of "special" companies by loans, or through the "purchase" of shares, and in part to finance the government itself.

TABLE 3.—*Expansion of Meng Chiang Bank Note Issue, Ratio of Reserves to Note Issue. and Index of Increase*

[Stated in 1,000 Meng Chiang yuan]

Date	Note issue	Notes in circulation	Subsidiary note issue	Reserves	Ratio—Reserves to notes	Indêx of increase in notes
December 1937	12 966	12.996	....	9.997	76.9	100.0
June 1936	18.979	17.733	1.246	12.413	65.3	146.0
December 1938	38,107	35.503	2.604	23 390	61.3	293.2
June 1939	35,414	31.730	3,684	21.576	60.9	272.4
December 1939	65.093	60 080	5,013	18,023	27.6	500.8
June 1940	62.722	57.230	5.564	17.970	28.6	482.6
July 1940	70.886	65,206	5,680	20,409	28.7	545.4

Table 4 shows that whereas by July 1940 deposits in Meng Chiang government banks were 45.6 percent higher than in July 1939, loans and investments made by these banks were 130.9 percent higher, and that the ratio of loans and investments to deposits rose from 109.8 in July 1939 to 199.0 in July 1940. A balance sheet of the Meng Chiang Bank, Ltd., as of June 30, 1940, discloses that this excess of loans and investments over deposits was offset on the bank's books by a corresponding currency inflation.

TABLE 4.—*Deposits, Loans, and Investments Reported by the Meng Chiang Bank and the Banks of South Chahar, North Shansi, and Mongolia, July 1939 and 1940*

[Stated in 1,000 Meng Chiang yuan]

Name of bank	Year	Deposits			Loans and investments		
		Capital	Government	Other	Government	Other	Securities
Meng Chiang	1939	11.674	3,816	34,667	18.178	20.335	25.581
	1940	6,828	8,077	44.310	85,256	34,211	28,712
South-Chahar	1939	2,494	....	2,784	....	6.261	....
	1940	11,359	....	3 319	....	12,754	40
North Shansi	1939	994	....	1,949	....	3,402	119
	1940	2,834	....	3.800	....	8,158	160
Mongolia	1939	2,419	....	2,187	....	5,192	100
	1940	6,303	....	4,977	....	13,388	170

(Continued on Page 61)

PAID-UP CAPITAL **YEN 150,000,000**

THE SUMITOMO HONSHA, LTD.

OSAKA, NIPPON

OFFICES AND DEPARTMENTS:

Mining Offices .. .. .. Kitanippon & Chosen
Forestry Department .. .. Osaka
Sales Depts. .. Tokyo, Yokosuka, Nagoya, Kobe, Kure, Fukuoka and Keijo

The Sumitomo Metal Industries, Ltd.
Subscribed Capital: Yen 200,000,000
Head Office: Osaka, Nippon *Works:* Osaka, & Amagasaki, Nippon

The Sumitomo Electric Industries, Ltd.
OSAKA, NIPPON
Subscribed Capital: Yen 50,000,000

The Sumitomo Machinery Works, Ltd.
Subscribed Capital: Yen 10,000,000
Head Office and Works: Niihama, Nippon

The Sumitomo Chemical Co., Ltd.
Subscribed Capital: Yen 40,000,000
Head Office: Osaka, Nippon *Works:* Niihama, Nippon

The Sumitomo Metal Industries of Manchou, Limited
Subscribed Capital: Yen 10,000,000
Head Office: Fengtien, Manchoukuo
Works: Fengtien and Anshan, Manchoukuo
Branch: Osaka, Nippon

The Sumitomo Mining Company, Limited
Paid-up Capital: Yen 27,000,000
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The Sumitomo Warehouse Company, Limited
Paid-up Capital: Yen 15,000,000
Head Office: Osaka, Nippon
Branches: Osaka, Kobe and Tokyo, Nippon

The Sumitomo Trust Company, Limited
Subscribed Capital: Yen 20,000,000
Head Office: Osaka, Nippon
Branches: Tokyo and Fukuoka, Nippon

The Sumitomo Life Insurance Company, Limited
Subscribed Capital: Yen 1,500,000
Head Office: Osaka, Nippon *Branches:* Osaka, Tokyo, etc.

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THE SUMITOMO BANK, LTD.

HEAD OFFICE: OSAKA, NIPPON

Subscribed Capital: Yen 70,000,000 **Paid-up Capital: Yen 50,000,000**
Reserve Funds: Yen 50,200,000

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GENERAL BANKING AND FOREIGN EXCHANGE BUSINESS TRANSACTED

Strawberries in January

It's the Berries! Blushes on Healthy Girlish Cheeks rival the Luscious Red Berries that Shizuoka Girls have Picked from the Hillside Strawberry Patches.

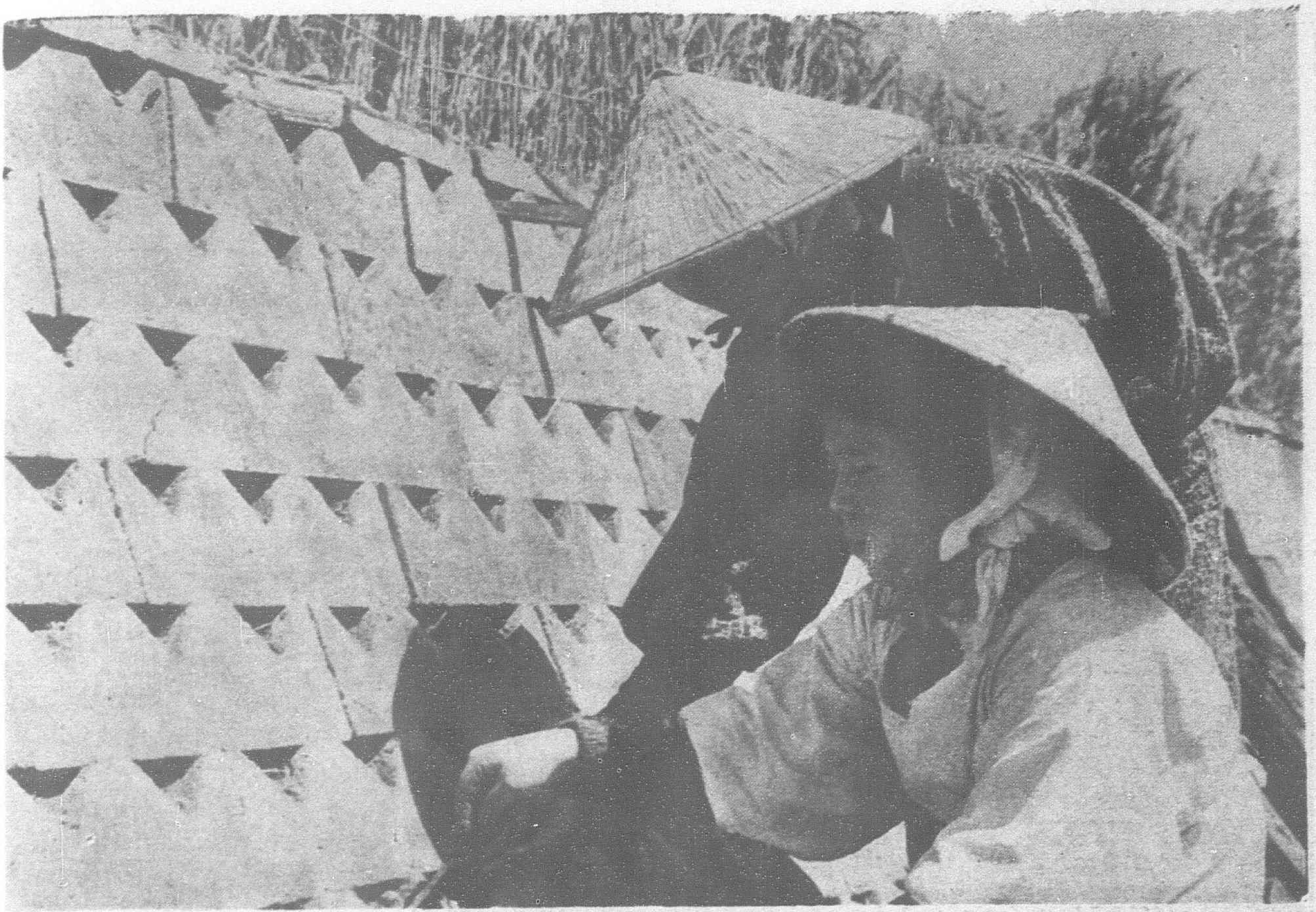
THE little girl of Hans Christian Andersen fairly tale fame who was forced to go into the woods in the dead of winter to find strawberries for her cruel step-mother would have nothing to worry about if she were in Japan today. One can have strawberries in January in Japan, not out of a can, a quick-freezing refrigerator or a hot-house, but from clear, airy fields.

On the sunny hillsides of Shizuoka Prefecture, on the foothills of Mount Fuji, strawberries are proving to be a rich winter crop, all because a young farmer was observant and curious.

The hills, one will observe, are terraced with curious stone walls. Closer examination shows that these walls are made up of concrete blocks a foot and a half long, five inches wide and an inch and a half thick. These blocks are deeply saw-toothed along one long edge, and these saw-toothed pockets are filled with earth and it is here that the strawberry plants are raised.

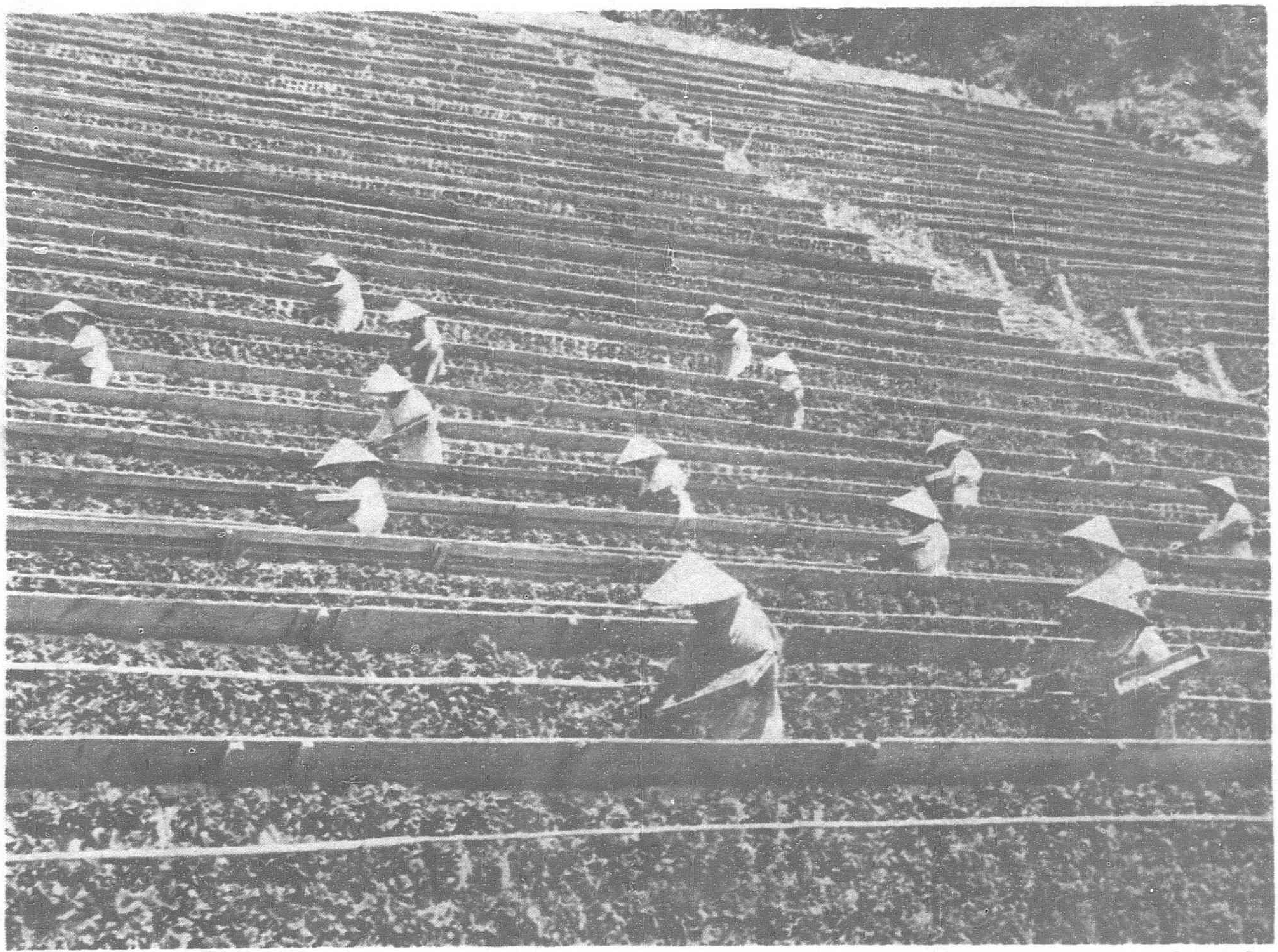
The strawberries are grown literally in crevices in a stone wall, and that is the secret of their development, even in winter. The stone absorbs the sun's heat during the day and keeps the plant warm at night. And in January, lo, ripe red fruit for metropolitan markets at popular prices.

The fields are on the southern slopes of the hills where the plants are protected from the north wind and the rocks can obtain the full strength of the winter sun. Japan in this region is favoured by clear, sunny days. These terraces range row on row up the hillsides, neatly spaced four feet apart to provide sufficient sunshine as well as enabling pickers and cultivators to walk about freely.



Triangular pockets in the concrete wall are prepared to receive young strawberry plants during the summer.

By December, though it may be frigid elsewhere, early varieties of strawberries are ready for the picking from plants which have grown luxuriously over the stone walls.



A view of a terraced strawberry hill with women pickers in picturesque garb. Sunny days like this are typical of Japanese winters.

Varieties of berries are obout the same known in the United States. Although the strawberry was known in Japan since the Dutch traders introduced it several centuries ago, serious cultivation of the berry did not develop until improved American varieties were imported in recent years. Farmers are especially pleased over the new growing industry since it provides them with a winter crop when they cannot grow rice or vegetables. Needless to say consumers are also pleased.

Mother plants are ready in mid-May and the runners are planted, transplanted and re-transplanted until all preliminary work is concluded by autumn. Buds form from November, and the work starts in earnest. Each individual berry is then carefully wrapped in soft paper and the forcing process begins. Cropping of early varieties begins in mid-December while the later types mature in January.

Naturally a great deal of time and attention is necessary in this sort of cultivation, but the pretty girls of rural Shizuoka, a rich rice and tea-producing region, have provided the adept and patient labor required.

The return amounts to a net profit of from U.S. $1.50 to $1.70 per six square feet which is one of the most remunerative yields from farming in Japan.

A strawberry field, or rather a strawberry hill, is an unusual sight in summer as they provided expanses as large as 80 acres lined with blackened, geometrical stone walls. As the season progresses the plants with their luxurious green leaves hide the stone.

Then as picking time nears Japanese peasant girls go through the fields with shallow wooden trays. The berries, large and luscious, are packed only in single layers and are marketed the same way.

Shizuoka, near the sea, is less than four hours south of Tokyo, and visitors who go to the region for a Sunday excursion can see Fuji and the berry fields as well.

Discovery of the stone-wall method was an accident. A young farmer noticed that the fruit of plants creeping along a stone wall ripened earlier than others. Perfection and practical application of the discovery literally lifted an obscure village by the Pacific near Fuji to a "place in the sun."

Japan in the South Seas

How She Transformed Her Mandated Islands into a First-class Asset

(Melbourne Herald)

LET us see what Japanese southern expansion means and how far it has already gone. Let us begin with Nanyo, the Japanese Mandated Islands in the South Seas, also our near neighbours, for the mandate adjoins ours.

We in Australia know very little about these islands, which is a pity, for they are an example of progressive colonisation that ought to give us cause to think. Japan has turned a group of islands that nobody wanted into a first-class asset.

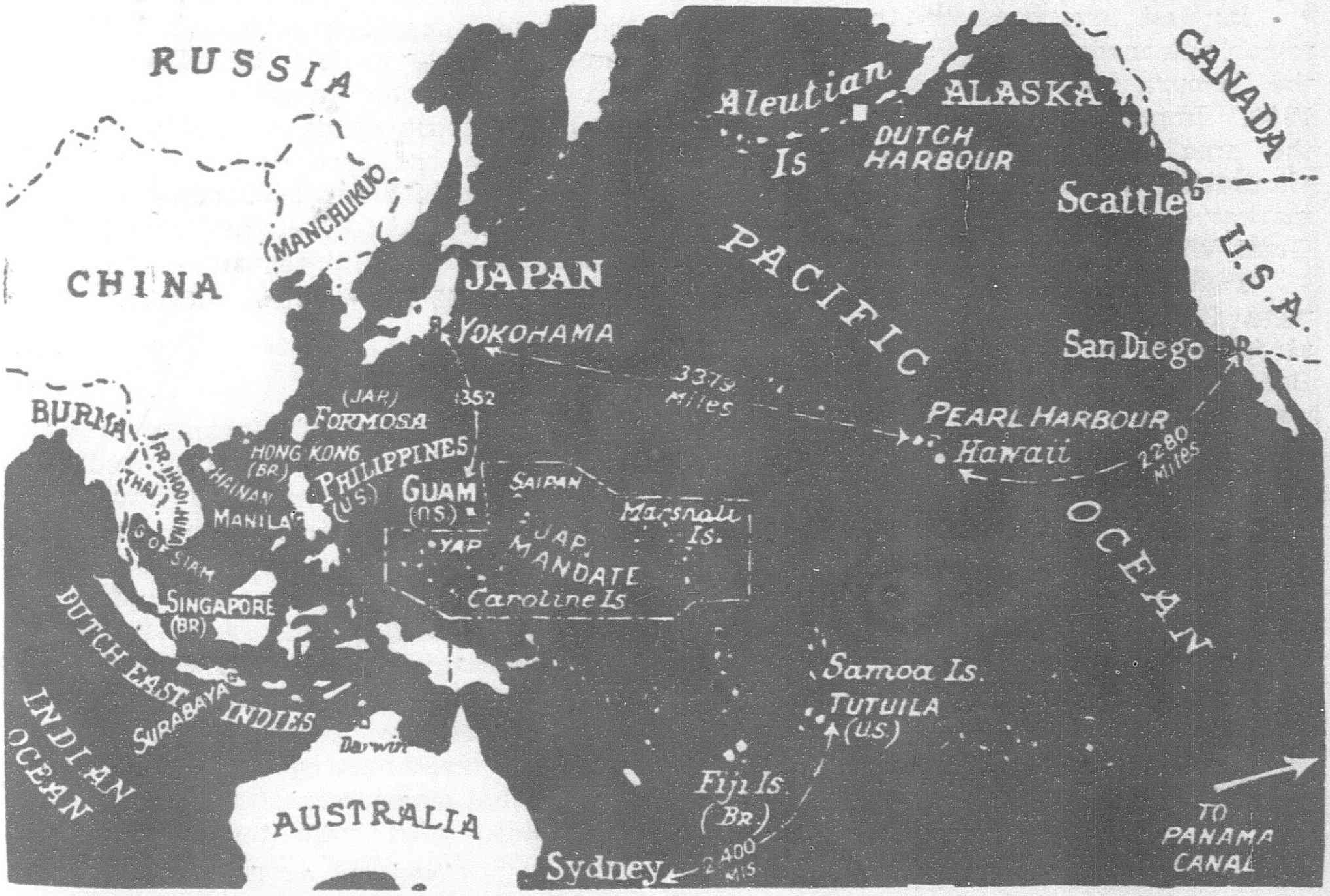
Divided into the Mariana, Marshall and Caroline Groups, these Japanese islands at our northern door number about 1400; among them one solitary island, Guam, belongs to the United States. To the east lie the Hawaiian Islands, to the west the Philippines and Celebes, to the north the Bonin Islands and, to the south New Guinea.

About 113,000 people, of whom more than 70,000 are Japanese, now inhabit Nanyo.

Once upon a time, the islands belonged to Germany, but they passed under Japanese Mandate at the end of the Great War. Their non-restoration is part of the price that Germany pays for Japan's allegiance to the Axis.

Japanese colonisation was attempted in the earliest days of Japan's influence. Among pioneer companies of Nanyo were Nishimura Takushoku K. K. (Nichmimura Development Co. Ltd.), and Nanyo Shokusan K. K. (South Sea Industrial Co. Ltd.). These began the cultivation of sugar on Saipan, largest of the Marianas, importing Japanese labour.

The enterprise fell on difficult days, however, and about 1000 immigrants found themselves near starvation. It was even suggested that the mandate should be returned to the League. At the last moment, when the immigrants were in a desperate position, the Oriental Development Co. came to the rescue and established the Nanyo Kohatsu K. K. (or South Sea Development Co. Ltd.) which took over the business of the others.



That was in 1921. The company was capitalised at 3,000,000 yen (the yen today is worth about 1/7 in Australian currency). In 1930 the capital was increased to 7,000,000 yen, in 1933 to 20,000,000 yen, and in 1937 to 40,000,000 yen (roughly £A3,200,000).

Nanyo Kohatsu now covers all the South Seas Islands once regarded as useless. It is an extraordinary story of intensive development. The staple exports today are phosphate, copra, sugar, dried bonito and alcohol. The sugar plantations are in Saipan, Tenian, Rota and Auguigan.

Nanyo Kohatsu holds 126,062 acres of land on the mandated islands. Its president and directing genius is Harutsugu Matsue, a Japanese educated at a university in the United States.

Japanese interests spread into Halmahera, Celebes, Ceram, Aru, Timor, the Philippines and Dutch New Guinea, with all of which there is regular sea communication; in addition, the Nanyo islands are now comprehensively linked by air.

This does not cover the whole field of Japanese investments in this part of the world, however. The Nomura Overseas Investment Department, a subsidiary of the Nomura Gomei Kaisha, of Osaka, has large capital investments in the South Seas as well as in South America.

Its first investment in the South Seas region was made after a visit by the head of the Nomura family, Tokushichi Nomura, in 1914. Impressed by the rich resources of the area he bought up a German rubber plantation in Borneo which came on the market shortly after the outbreak of the Great War.

Today the Nomura East Indies Development Co., founded in 1917, and capitalised at 5,000,000 guilders, with head-quarters at Bandjermasin, Dutch Borneo, has under its management vast plantations in Borneo and Sumatra. The plantations in Borneo are mainly of rubber trees, and those in Sumatra of oil palm, coffee and rubber.

The company has four rubber refineries, including one at Bandjermasin, for treating crude rubber produced by the natives, treating nearly 60,000,000 yen worth of rubber annually. In addition it has seven sheet rubber factories.

There is a development of even greater interest to Australians, however. In November, 1931, Nanyo Kohatsu purchased every right formerly held by the Phoenix Company of Germany for the exploitation of areas in northern Dutch New Guinea.

Nobody in Australia knows much about Dutch New Guinea, and most people up to now have cared less. The Japanese take a greater interest. The "Osaka Mainichi," one of the leading papers of Japan, recently investigated Japanese activities there, and its special correspondent, Shintaro Shimasaki, embodied his conclusions in four articles.

Mr. Shimasaki points out that an estimate puts the population of the whole of New Guinea Island at 200,000—the population of one small ward in Tokyo.

Roads, he says, seem to have been left out of the colonial scheme of New Guinea by the Dutch. Such as exist at all are usually mere paths, and in many places there are none. In northern Dutch New Guinea he found not even a horse vehicle, much less a car.

Sea communication is bad, but a weekly air service has recently been opened between Macassar and New Guinea.

Malaria, especially, makes pioneering in the north difficult. A Dutch attempt at colonisation by half-castes failed. Some work was done by individual Japanese, and in 1933 Nanyo Kohatsu purchased the land belonging to Jutaro Hosotani, a Japanese who had gone there in 1911.

This was only 882 acres, and in 1937 the company leased an additional 2205 acres, employing 1500 workers to cultivate cotton and jute, with an interest also in tapioca, coconuts, fibrous plants and rubber.

A lease has been drawn up with the Dutch authorities for 2450 acres of as yet undeveloped land. In all the Nanyo Kohatsu interests in New Guinea are:—

Plantation.	Momi.	Sarmi.	Nabire.	Resin (piculs)
Area leased	3087	735	54	77,175
Planned lease	2695	8575	—	
No. coolies	1200	50	—	300

There are about 30 Japanese at Momi, three at Nabire, four at Sarmi, and three elsewhere, enduring "manifold troubles" in the distressing conditions of the jungle.

Putting together the total amount of territory marked out for development by the Japanese and by the Dutch themselves, Mr. Shimasaki remarks, the total does not exceed 24,500 acres, but territory with the possibility of development is unlimited.

"Well watered by the inexhaustible waters that come out of the snow-capped mountains, with vast territories as yet

(Continued on Page 61)

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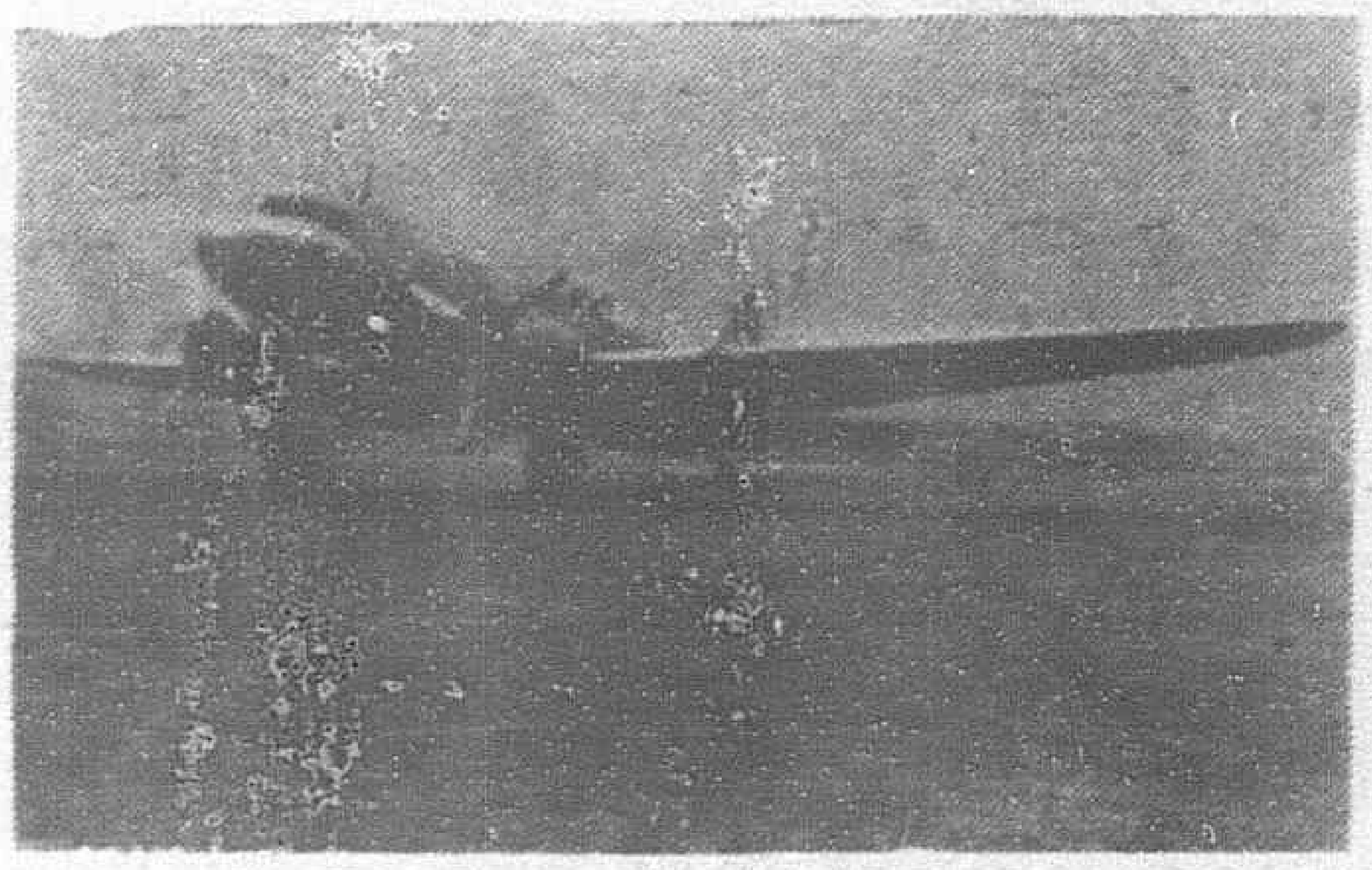

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NORTH - CHINA DAILY NEWS OFFICE

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PUBLISHED BY THE

North-China Daily News & Herald Limited, Shanghai

unexplored for their possible treasures, the resources of New Guinea present intriguing possibilities. Even the regions bordering on the sea coast alone are enough to take care of enormous numbers of immigrants."

Mr. Shimasaki thinks that statements by prospectors that the chances of oil discovery are slight must be taken with a grain of salt.

The attitude of the authorities towards Japanese, he says, is one of "extreme nervousness," and armed soldiers—under the guise of protection—follow the Japanese visitor about. The office of Nanyo Kohatsu was twice searched.

Mr. Shimasaki thinks the Dutch claim on New Guinea "vague and doubtful," and compares the Dutch administration unfavourably with that of the Australian parts of New Guinea.

"Question remains whether the Dutch are entitled to sovereignty over their land," he says. "Holland has too much land and even the development of Sumatra is just beginning."

In any case, he considers, the Dutch have made a mess of New Guinea—and as Palau is only 500 miles away the Japanese are the people for the job.

Holland should be willing to turn over the job of exploiting New Guinea to the Japanese—at least Mr. Shimasaki says so.

Nor is Mr. Shimasaki alone in believing that Dutch New Guinea is unlikely to remain a blank on the map for ever.

Fishing Industry

The key to a solution of Japan's food problem is stated by the "Chugai Shogyo" newspaper to lie in the development of the fishing industry in the South Seas, reported the "NZ Herald" on February 18.

Experimental fishing stations were set up in the Japanese mandated islands nine years ago and investigations revealed that the shores of these islands are washed by a north equatorial current, bringing rich schools of bonito, while another cross-current carries large numbers of tunny.

About 70 Japanese fishing boats, displacing from 100 to 200 tons each, are at present operating the year round in the waters near the Caroline Islands and the seas north of New Guinea. Each trip is said to net the boats about 60,000 yen, or about £3,750, and nine trips are normally made by each vessel per year, thus bringing ship earnings to 540,000 yen, or about £33,750.

The "Chugai Shogyo" suggests the establishment of advance bases in the mandated islands. Cold storage ships would be constructed to transport food, drinking water, fuel and other necessities to the fishing vessels operating in the South Seas. Saipan and Ponape Islands are suggested as the best sites for such advance bases.

Meng Chiang: The New Mongolian Federation

(Continued from Page 52)

Japanese Views of Meng Chiang Progress

In commenting upon a so-called "Three-Year Plan" for Meng Chiang, a well-known economic monthly published in Japan, in English, estimated Meng Chiang's needs for Japanese goods in 1940 as valued at 140,000,000 yen, but pointed out that modifications in Japanese commodity-mobilization plans would probably reduce that figure to 60,000,000 yen, and that, insufficient as that amount was, the flow of 60,000,000 yen worth of goods, if smoothly carried out, would help industry—but that past records did not justify this confidence, since supplies do not flow according to plan.

Also mentioned was the fact that, as speculative purchases of goods in Tientsin, Peking, and Shanghai were necessitated, the prices of commodities as hoisted by the North and Central China price inflation were, in consequence, two or three times those estimated in the mobilization plan. As the prices of raw materials rose, so did costs.

In discussing industrial development in Meng Chiang the same authority pointed out that the "marked visible decline in farm production (in 1939), due to floods and drought, * * * decreasing exports and swelling imports, with the consequent deterioration in the condition of state revenue * * * make it extremely difficult to continue with the policy of Mongolia's independent development of self-sufficiency in internal capital and finance."

These statements indicate that in Japanese eyes the economic and fiscal position of the Meng Chiang regime appears to have been unsatisfactory, and that this region, like "Manchukuo," is expected to depend upon Japan for the capital needed in future industrial development—which must, inevitably, be retarded.

PHILIPPINES

Raw Resources of the Philippines

By Dr. ADEUDATO J. AGBAYANI

(Faculty member, University of Manila)

IMPORTANT materials for the manufacture of the myriad of pieces that go into the making of modern automobiles and trucks are abundant in the Philippines, which is strategically located in the Far East from the commercial point of view.

Automobile manufacturers all over the world are in endless search for raw materials and designs to improve their products. It seems that they have not realized what this Oriental paradise has in store in the realm of motor transports. Once, an airplane was made from Philippine materials. Sometime before the Spaniards knew who the Filipino artisans were, the fame of the Philippines in the building of ships had already reached many of the countries in the Far East.

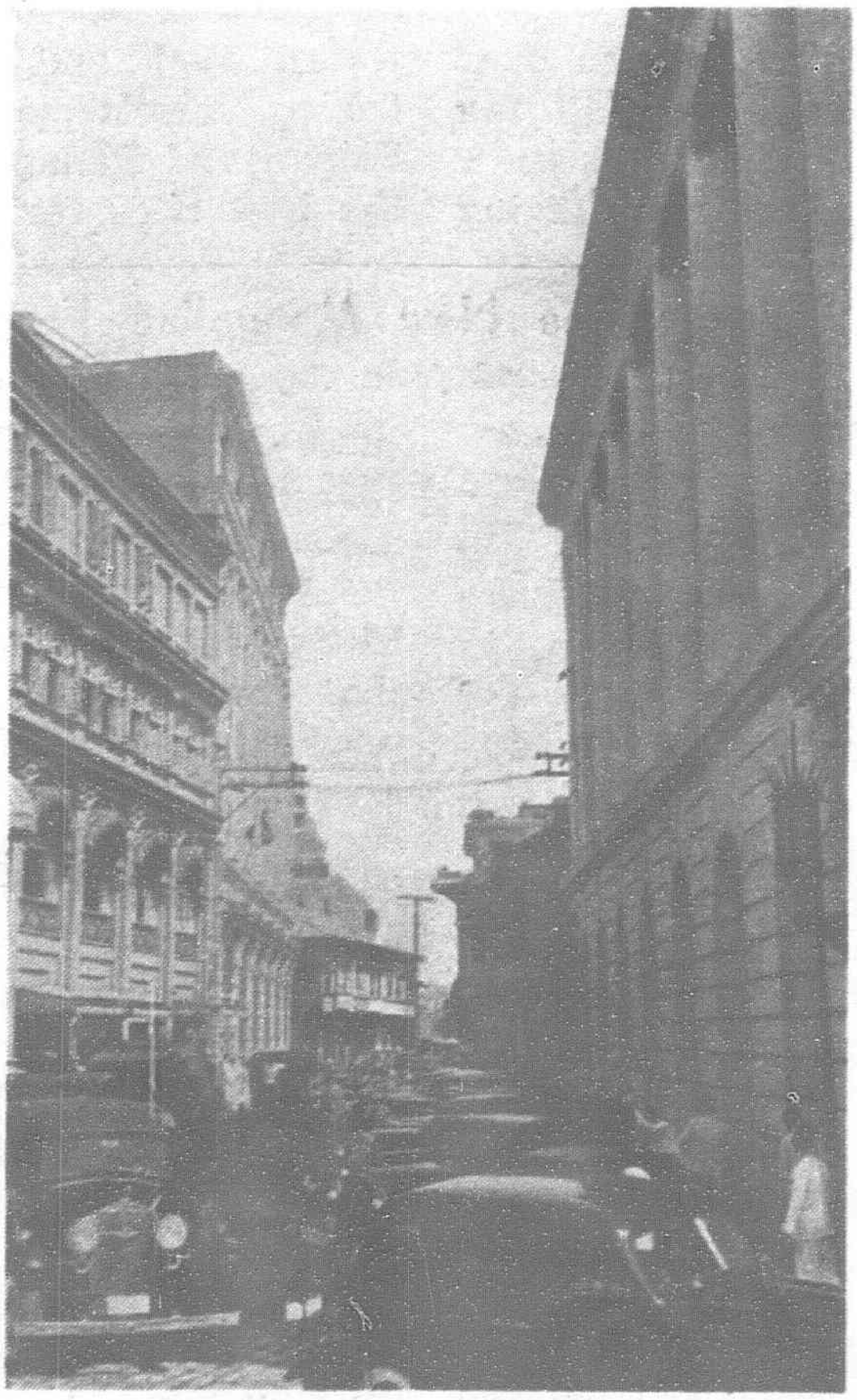
Whether it would be profitable and practicable to establish an automobile plant in the Philippines in peace time is debatable. The Far East has become a good market for American automobiles for sure. The Philippines is logically the base of American industrial and commercial operations in the Orient. Every major automobile company in the United States has opened plants and branches in foreign lands. The raw materials in the Philippines include the following:

Cotton

Cotton is a very important raw material in the manufacture of motor cars. All the automobile producing factories of the world use annually no less than 745,000 bales of this product, which is abundant in many P. I. provinces. "The cotton product in these islands," Antonio Lejano of the Fiber Research Division, Bureau of Plant Industry, Philippine Commonwealth, told the writer, "is well suited for the use of the automobile industry." He added that "as to upholstery cloth for automobiles there is the hand-made and the machine made. Auto making needs annually 63,300,000 sq. yards of upholstery cloth, 71,000,000 pounds of hair and padding, and 13,770,000 pounds of mohair.

Lumber

Strange as it may look, the Philippines has virtually all the kinds of woods suitable for the different wooden parts of the automobiles. Our country has durable, tough and strong woods of various names for the automobile industry. Florencio Tanesis, local Director of Forestry, lists the following Philippine woods which may be used in the manufacture of automobiles and truck parts as well as in their repair:



One of Manila's Narrow Crowded Streets near the Waterfront. Building to the Right is The National City Bank of New York

1. *For sills* (cross and longitudinal): Guijo, yakal and narra, which could be used as substitutes for maple, oak, ash, and elm. Yakai is adapted to trucks and buses, while guijo and narra are used for small-sized cars.
2. *For floor boards:* white and red lauans, tangile, lumbayau, apitong, manggachapui, dalindingan, and sometimes guijo.
3. *For seat risers and seat boards:* Apitong, lumbayau, red and white lauans, tangile, and occasionally, guipo, banuyo, and narra, especially in expensive cars.
4. *For seat lids:* Guijo, lumbayau, white

and red lauans, tangile, and malugai, which could substitute for gum, maple, elm, and numerous other pieces.

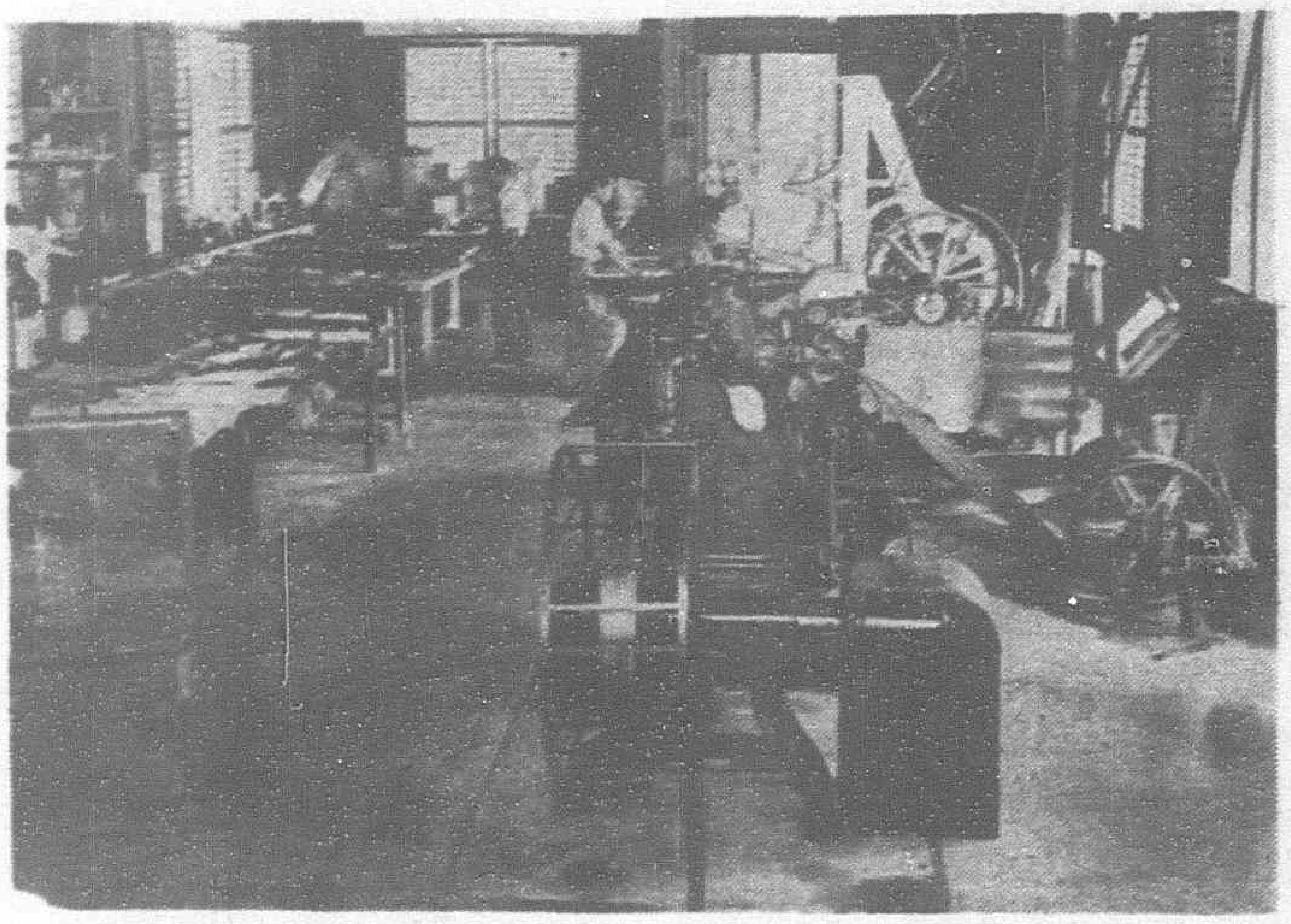
5. *For pillars and posts as well as seat rails*: Narra, guijo, and yakal.

6. *For strainer slats*: Guijo, apitong, narra, red and white lauans, and lumbayau.

7. *For trim rails*: Dao, banuyo, akle, narra and other cabinet woods.

8. *For running boards*: Guijo, lumbayau, malugai, and narra.

9. *For steering wheels*: Narra, tindalo, guijo, yakal, supa, malugai, ipil, and molave, which could serve effectively as substitutes for walnut, maple, and red gum.



Finishing Section in A Manila Leather Plant

—Bureau of Science Photo.

10. *For spokes and rims*: (fellows): Yakal, which is good for trucks, and guijo, for smaller cars.

11. *For top bows*: Guijo, banuyo, and narra. It is to be explained here that no bending is necessary: the pieces are merely out from large planks.

12. *For Dashboards*: Guijo, banuyo, and narra as well as akle, lumbayau, tangile, red and white lauans. Philippine woods suitable for the manufacture of automobiles and trucks may be conveniently classified in this manner:

CLASS I. For uses requiring toughness, durability, and strength; Yakal, guijo, managgachapui, dalindingan, malugai, molave, ipil, and supa.

CLASS II. For uses requiring medium durability and strength; red lauan, tangile, lumbayau, apitong, and white lauan (almon, bagtikan, manggasinoro).

CLASS III. For uses requiring beauty and grain and texture together with durability and strength; akle, narra, tindalo, banuyo, and dao.

"We have woods in commercial quantities, except molave and tindalo, which are not very abundant," says Director Tamesis.

Pig Iron and Fuel

The Philippines is actually producing pig iron and alcohol motor fuel, according to Dr. Joaquin Maranon of the Division of Tests and Standards, Bureau of Science, Philippine Commonmenth. The manufacture of motor cars throughout the world consumes no less than 400,000 tons of malleable iron and 1,150,000 tons of gray iron as well as 22,300,000,000 gallons of motor fuel and 668,000,000 gallons of lubricating oil. Prospects of the oil industry in the Philippines are so bright that the world's largest oil manufacturers — the Standard-Vacuum Oil Company—once made negotiations with the Philippine Commonwealth Government to develop some of the oil mines of this country on a large scale.

Crude Rubber

Rubber is another important material in the manufacture of cars. The overseas edition of *The American Automobile* claims that the annual consumption of crude rubber for the use of the automobile producing factories reaches 550,000 tons. An American firm had been studying the prospects of developing the rubber industry of the Philippines on a commercial basis. It is claimed that the rubber obtained from this Archipelago is one of the best. From 1929 to 1935, the Philippines produced no less than 2,478,170 tons of crude rubber. It is said that two rubber trees must be tapped for 12 months to obtain the rubber for an average-sized tire of a car. The Commonwealth of the Philippines is now trying to interest Filipine capitalists and sugar planters to develop rubber cultivation in the island of Mindanao.

Mineral Products

Copper and iron ores are also important materials for the automobile industry. The Philippines is now exporting around P.3,000,000 worth of iron ore a year. Copper ore is not much, its annual exportation being only worth P.2,000. In 1936 the Philippines exported no less than 654,544,921 kg. of iron ore and 6,054 kg. of copper ore. To increase its production is a question of encouragement and prospects of ready market. It is true that at present the production of zinc, and tin is virtually nothing but we are sure that we could produce such products on a large scale in case there is a ready and big demand for them. Lead and zinc mines, according to Ernesto C. Bengzon of the Geological and Mining Division, Bureau of Mines are known to occur in Marinduque, in Milagros, Masbate, and Cobu. Tin was reported to have been found in a stream in the interior, from Bay Palawan. The copper bearing districts of the P. I. are Manka-Suyoc district, Benguet, Pangasinan, Batangas, Marinduque, Masbate, and Capiz. The most important iron deposits of this Country are found in Bulacan, Camarines Norte, and Surigao. The manufacture of automobiles all over the world needs at least 275,000 tons of lead, 101 tons of zinc, 11,750 tons of nickel, 27,500 tons of aluminum 158,000 tons of copper, 12,300 tons of tin. Each automibile storage battery needs also 20 lbs. of lead.

Leather for Upholstery

Another important item, although not fully realized by motorists, is leather. Annually the automobile producing factories use no less than 13,770,000 sq. feet of leather for upholstery. The manufacture of leather for automobile upholstery is not developed in the Philippines because there has been no demand for it and also because of the strong competition offered by imitation leather from abroad. There is no question, however, that local firms engaged in the leather tanning, industry, if given the proper incentive as well as the necessary facilities, can produce enough leather suitable for automobile upholstery.

Saturnine R. Mendinueto, chief of the foreign trade division of the Bureau of Commerce, Philippine Commonwealth, sees a good future for leather to be used in the N-E-P-A shoe industry. He said: "The establishment of a modern leather tanning factory, according to those in the industry, will enable the islands to produce good leather for shoe tops and a much better quality of sole leather than those at present obtainable from local producers." One factor why the manufacture of leather for automobile upholstery has so far failed in Manila and the provinces is the practice in which every motor car brought to Manila from abroad is already equipped, "with seats already upholstered with imitation leather. Sometimes the American automotive plants used no less than 20,000,000 square feet of leather annually."

Figures on the consumption of raw materials for the making of motor cars "almost surpass comprehension." "The automobile industry has become a giant and it is possibly the largest consumer of crude rubber, plate glass, cast iron, finished roll steel, malleable iron, leather and cloth upholstery materials, aluminum, mohair, petroleum, cotton, lumber, and wool and such ingredients as turpentine, tung, linseed and soya oil, hair and other padding supplies, thinners and pigments for lacquers and enamels, asbestos for brake linings, etc. Silver is also used and we have this precious metals in the Philippines. The Philippines can supply all the silver which the World's auto industry needs.

The automotive industry has been responsible for the marvelous development of new alloy steels, "thus making profitable operation of new mines in many countries."

It will mean a great boast to the Philippine lumber industry indeed, if the world's automobile manufacturers should now turn to the Philippine Islands for its supply of woods suited for auto manufacture. The distribution of those woods by provinces are as follows:

Akle: Ilocos Sur, Palawan, Negros, Masbate.

Apitong and Dao: From Northern Luzon to Mindanao and Palawan.

Banuyo: Babuyan Islands, Cagayan, Masbate, Samar, Negros, Cebu, and Agusan.

Dalindingan: In most provinces, especially in the Laguna-Tayabas forests.

Guijo: Practically in all provinces of Luzon, Mindore, Panay, Negros, Masbate, Samar, Leyte, Mindanao, and Basilan. (Supply is abundant).

Ipil: Babuyan Islands and Northern Luzon to Palawan and Mindanao.

Lumbayau: Misamis, Lanao, Zamboanga, Cotabato, and Basilan. (Supply is fairly large).

Malugai: All over the Philippines especially in Tayabas, Mindoro, and Palawan.

Manggachapui: All over the Philippines. (Supply is fairly abundant).

Molave: Widely distributed throughout the Philippines although supply is limited.

Narra: Cagayan, Mindoro, Bicol region, Palawan, Agusan, and Cotabato.

Red Lauan: Cagayan, Isabela, Bulacan, Bataan, Laguna, Tayabas, Camarines, Albay, Sorsogon, Biliran, Sibuyan, Leyte, Cebu, Negros, Surigao, Agusan, and Davao. (Supply is abundant, especially in Northern and Eastern Luzon, Negros, and Agusan.

Supa: Nueva, Ecija, Sorsogon, Tayabas, Camarines, and many regions of Mindanao.

Tangile: All over the Philippines. (Supply is abundant).

Tindalo: Cagayan, Tayabas, Masbate, and Mindanao.

White Lauan: All over the Philippines. (Supply is abundant).

Yakal: Pangasinan, Zambales, Tayabas, Camarines, Albay, Sibuyan, Leyte, Agusan, Davae, and Zamboanga. (Supply fairly large).

Official figurers compiled by the U.S. Automobile Manufacturers' Association show that last year 1/5 of the total cotton output and 1/8 of all the nickel produced was absorbed by the automobile industry. Ten percent of the copper output and 10 percent of the aluminum, tin, zinc, and lead produced last year was used in the manufacture of automobiles. This industry is using every year 188,500,000 square feet of plate glass, 19,000,000 gallons of paint and lacquer, 790,000,000 board feet of lumber, and 8,370,000 tons of finished rolled steel, as well as other raw and semi-manufactured products some of which must be surely found in the Philippines or its neighboring countries. An average automobile requires 34 sq. ft. of plate glass, 31/2 gallons of paint and lacquer, and 15 sq. yards of wool or cotton upholstery.

This layman's survey of the abundance of materials for the manufacture of automobiles, trucks and motorcycles should give impetus to further industrial development in the whole Far East.

China's Currency Complexities: Basic Facts and Current Trends

(Continued from Page 33)

used in North China, Bank of Japan yen notes in Central China, and Bank of Taiwan notes in Fukien Province and in eastern Kwangtung. Various measures, which have not been entirely successful, have been devised by the Japanese financial authorities in both Japan and China to check increases in yen circulation in China. During 1940, however, the Federal Reserve Bank of China withdrew from circulation about 168,000,000 yen in Central Bank of Manchou notes and a few Bank of Chosen notes.

Total circulation of Japanese yen notes, like the Japanese-sponsored currencies in China, has expanded rapidly from less than 2,000,000,000 yen in July 1937 to nearly 7,000,000,000 yen at the close of 1940, as indicated in table No. 5:

Table No. 5.—Japanese Yen Note Issues, 1937 to 1940*

(Stated in millions of yen)

Bank of issue	July 1937*	July 1938*	July 1939*	July 1940*	Dec. 1940†
Bk. of Japan	1,579.9	2,074.1	2,522.6	3,597.1	4,930.1
Central Bank of Manchou	180.0	274.6	418.5	623.2	1,013.0
Bk. of Chosen	153.1	253.5	286.2	412.7	593.8
Bk. of Taiwan	82.1	116.8	153.7	185.9	205.4
Total	1,995.7	2,719.0	3,381.0	4,818.9	6,742.3

*The Oriental Economist, Tokyo.
†Official sources, Shanghai.

These yen are all theoretically interchangeable at par and have an arbitrarily pegged exchange value of U.S.$0.23 7/16 to 1.00 yen, but on the Shanghai open exchange market the value of Bank of Japan notes—the most stable of these yen circulations—is currently 1.85 yuan per yen, or about U.S.$0.10, compared with the value of the Chinese dollar of U.S.$0.05½. It is not known to what extent the above-named yen currencies now circulate in Shanghai and in "Occupied China."

No End of China's Currency Chaos in Sight

In the early stages of the so-called China Incident, Japan's economic program contained the concept of a yen bloc comprising the Japanese Empire, "Manchukuo," "Meng Chiang" or Inner Mongolia, and North China, within which one currency (the yen) was to circulate and one price level and one standard of living were to prevail. This concept is in direct conflict with proposals for the establishment of a unified currency in "Occupied China" advocated by certain adherents of the "Reformed" regime in Nanking. How these conflicting ideas will eventually be resolved, time alone will tell—but it must be said that the end of the chaotic currency conditions now prevailing in China, whether in "free" or "occupied" areas, is by no means in sight; and, as has been intimated before, it is all a Great Mystery.

RESEARCH

Wonders of the Rubber Industry

By W. S. DAVEY
Head of Chemical Division,
Rubber Research Institute of Malaya

(Singapore Herald)

RUBBER is a material of unique properties; its uses are so varied that modern life, the development of modern industry, or the building up of a war machine cannot be visualized without it. Yet in years rubber is a child compared with other raw materials such as coal, iron, and copper, and there are still many people in Malaya who have seen the rubber plantation industry grow from nothing to its present colossal dimensions.

This astonishing development has coincided of course with the phenomenal progress of industry generally during the last 30 years and, more particularly as far as we are concerned, with the growth of the motor car. During this period we have seen on an ever increasing scale the application of scientific discoveries through the co-operation of the chemist and the engineer, in the field, in the laboratory, and in the workshop. The days when the chemist was sneered at by the practical man, when he was shooed out of the factory and regarded as a non-productive charge on industry, have gone for good. Those were the days when a tyre lasted only 2,000 miles. Today a tyre will do 20,000.

The rubber plantation industry has had the advantage of scientific advice almost from its beginning, and the discoveries concerning the physical and chemical make-up of latex made by men like Whitby, Belgrave and Eaton—to mention only a few of the chemists who have worked in Malaya—showed the way to even greater things and earned for them and for Malaya an international reputation in the sphere of rubber technology.

Scientific Trinity Referred

The Director of the Rubber Research Institute referred to the scientific trinity concerned with the growing of rubber namely the biologist, the soil scientist, and the chemist. Each of these has a definite part to play in the scientific team. Broadly speaking, the business of the biologist is to increase the yield of rubber per tree; that of the soil scientist to increase the yield per acre; whilst the chemist works on the rubber itself. At first sight these tasks may seem independent, and in fact they used to be, but the problems now looming ahead of the rubber plantation industry call for more and more co-operation if our plantations are to fulfill the world's increasingly diverse needs for rubber.

The chemist starts at the point where the latex leaves the tree. Most of us have seen latex exuding as a white milky liquid when a rubber tree is tapped, but few realize how complicated this latex is. It is one of the most interesting materials Nature has devised, and we are still learning how to make the best use of it.

It would be impossible to describe fully the rapidly developing laboratory investigations of latex in this brief article but the writer would like to mention one or two scientific facts connected with it because these form the basis of its treatment after tapping. If we dilute some latex with water and then look at a spot of the mixture under a powerful microscope we can distinguish small particles rushing about in all directions. These are the rubber particles, and they are so small that one gram of latex contains about two-thirds of a million million of them.

In a pint of latex there are about four hundred million million, that is a four with 14 noughts after it. In addition to rubber, and of course water, latex contains many other chemical substances, of which about 50 have been identified, as well as millions of living bacteria. These substances are present in small quantities. They amount altogether to only about one-tenth of the weight of the rubber itself, but they are very important as they affect the quality of the rubber.

Important Property of Latex

Perhaps however, the most remarkable and important property of latex is the fact that each rubber particle carries a small charge of negative electricity. You will not get a shock if you put your finger into latex, but the electric charge can be demonstrated experimentally in a number of ways. It is important to maintain latex in a fluid condition. If it is reduced by adding an acid the rubber particles run together and we get the familiar white coagulum; if the charge is increased by the addition of an alkali such as ammonia the latex will remain in a fluid condition for years. The rubber plantation industry is indeed fortunate that its raw material reacts usefully to chemicals which are plentiful and cheap.

This is but a rough outline of the make-up of our raw material. We could add much detail but the picture would still contain many spaces which have to be filled in by future discoveries. For example, we still do not know why the rubber tree produces latex. It is not sap, and it is not fruit, so it is not needed for either daily living or for reproduction. Still, it must serve some purpose, and if we knew just what we could make the rubber tree work even harder for us than it does now. We have a fairly complete picture of the chemical nature of latex but we do not know the stages through which the rubber passes during its evolution inside the tree.

We know that latex will coagulate a few hours after it leaves the tree but we have not decided to which of several likely reasons this can be attributed. We have still to explain why latex from young trees is more prone to coagulation than latex from old trees; why latex coagulates more readily after heavy rain or during the wintering period when the trees are shorn of their leaves; or why the rubber from different kinds of rubber from different kinds of rubber trees varies so much.

Many such problems could be mentioned which remain to be solved by the "back room boys" of the scientific staffs before we can fill in the vacant spaces in our picture. Whilst their solution may or may not have any commercial value in the future, the plantation chemist has "bread and butter" problems concerned with actual production to deal with. This entails considerations of quality at the cheapest cost.

The production of rubber, whether it be in the form of smoked sheet, crepe or latex proceeds on more or less standardized lines which have been evolved as a result of long experience and research, but no one could contend that we have reached perfection in production methods.

Rubber has to conform to certain market standards, some of which bear no relation to the real quality of the product. They may ensure care in preparation but they inflict penalties through cuts in price which bear no relation to their material importance. A few bubbles or a little mould on the surface of the sheet are of no consequence to the rubber manufacturer, but the broker doesn't like them and so the planter must avoid them.

The manufacturer is most concerned about the presence of direct, particularly fine sand, in his rubber. Our American friends are likely to pay more attention to this question when we return to normal times and I would stress the importance of bulking tanks for settling the latex before coagulation. Straining it does not remove the fine sand but a short period of settling does.

Flooded With Inferior Acts

The chemist has had to face certain war-time problems in connection with supplies of essential materials, which had hitherto been obtained from enemy or occupied countries. In the early months of the war the market was flooded with inferior acids which were sold at high prices; fortunately these have been brought under control. We have shown how common local materials like coconut water can be used as coagulants, particularly by small holders, and we have also found methods of economizing in acid consumption on estates.

Supplies of acetic acid from Britain are now being supplemented with supplies from the United States and Canada, and we have every reason to expect that these will continue satisfactorily. Packing cases became scarce but local manufacturers have now increased their production. Hessian and other wrapping materials are being used instead of wooden cases, and some rubber is now being shipped without any wrapping at all.

It is probable that as a result of the war this method of bareback baling will become permanently established. which it was unable to do in pre-war days despite the fact that it was always favoured by manufacturers and is of course the cheapest. Other materials which have received the attention of chemists are materials for coagulating tanks and for sieves, dusting powders, anti-coagulants and preservatives, and for special treatments to produce rubber of special qualities. An interesting example of the last is the treatment of latex with papain, an enzyme obtained from the common papaya. The papain breaks up the protein in latex, just as eating papaya helps to digest food, and results in a rubber which absorbs water much less readily than ordinary rubber.

Useful for Electrical Insulation

This low water-absorbing rubber is particularly useful for electrical insulation, such as the sheating of underwater cables. Of more topical interest is the advice and help given to the armed forces and defence organizations. In addition to the uses with which we are all familiar, rubber is now being utilized for purposes which its varied properties make possible. The use of latex for the treatment of windows is an example; there are others which for obvious reasons I cannot discuss.

A review of the work of the chemist would be incomplete without some reference to synthetic rubbber which has now entered the field as a competitor of raw rubber. It should be emphasized that the term "synthetic rubber" covers a group of materials, probably at least a dozen, of which each one is of value for some particular purpose. They are not actually "synthetic rubber," but are rubber substitutes.

No one has yet succeeded in preparing in the laboratory a material of the same chemical composition as natural rubber, although some of the so-called synthetic materials are not very different. The synthetics, to use the common term, are specialized materials. One may be useful for making electrical rubber goods, another for tyres, others may be useful in goods which have to resist oil, light and heat. But as an all-round material natural rubber is better than any of the synthetics.

Good Prospects

When politics come into the question, the great advantage which natural rubber has over synthetic in the matter of cheapness vanishes. However, apart from political considerations which are beyond our control, we are still in a good position. Natural rubber is entirely suitable for many uses, but for some uses improved properties are undoubtedly desirable.

Work is being done to meet the future commercial competition of synthetics by studying how latex can be treated so as to produce modified natural rubbers which will be as good as the synthetics for their various special purposes. Many rubber technologists consider the fulfilment of the required changes in natural rubber to be only a dream, but often the dreams of today are the realties of tomorrow. There is still much to be done but scientifically I can say that the prospects are good.

"The Man At Tokyo"—The Man On The Cover—And Some Others

(Continued from Page 23)

weight due to seniority, and seniority means more in Japan than in most other countries.

If Admiral Nomura does not carry to his position any special knowledge of things American, he does possess the essential characteristics of a diplomat who can get along with Americans. There is little of the suave about him and practically no diplomatic polish. But he is frank and straightforward, and if he does not care to comment he says so frankly in his deep, deliberate voice without beating around the bush. As one newspaperman put it, Admiral Nomura looks like a bluff old sea dog who would be out of place in coat and tails. And as a man of the sea, he should find that he speaks the same language as the sea-loving President Roosevelt and Prime Minister Churchill.

Manchuria and Korea's Iron Industry

(Continued from Page 48)

going, low grade iron ore in powder form can be used as it is. These methods entail no necessity of making any previous dressing of ore or previous application of heat. Under them therefore, iron ore of very low grade and even sand iron can be utilized. These methods have another characteristic in that anthracite can be used in place of coke but are subject to coal restrictions as is the iron manufacturing method employing the ordinary blast furnace. Their third feature is that their product closely resembles steel in quality and can be used as a material for the manufacture of steel as a substitute for scrap.

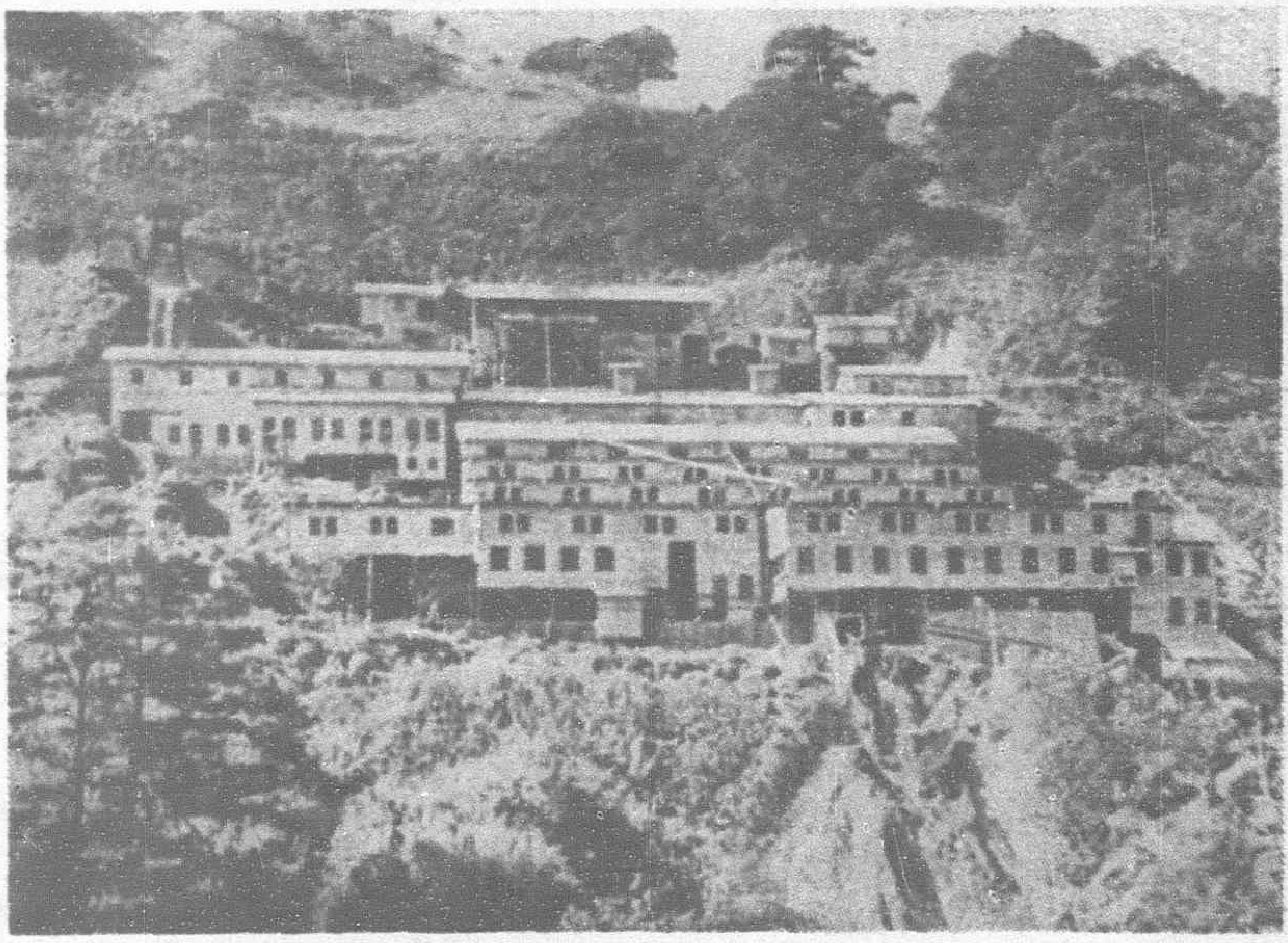
As it is, the methods in question are different from a system which entails the dressing of ore and depends on the ordinary blast furnace, although the latter is identical with the former in that it is concerned with the treatment of low grade ore too. They are well adapted to the nature of iron ore and coal deposits in Manchuria and Korea. The fact that the product turned out by these methods can be used as a substitute for scrap fills Japan's actual needs too. So far as anthracite is concerned, Manchuria and Korea produce it plentifully. And therefore, if these methods henceforth are improved to some considerable degree and the cost of production is lowered, it will indeed be a boon and a matter for congratulation for Japan and Manchuria alike.

Costs of the Gold Mining as Affected by the War

(The American Chamber of Commerce Journal, Manila)

SHORTLY after the start of the present European war there ensued a severe drop in the price of gold mining shares not only on the Manila stock market but all over the world wherever gold stock were listed. The Toronto Stock Exchange, which is the marketplace for hundreds of Canadian mining stocks, was particularly hard hit and the shares of such sterling producers as McIntyre, Lake Shore, Hollinger, and others of similar merit, suffered in the general decline along with those of undeveloped companies. On the New York market, declines were noted for such established dividend payers as Homestake, Alaska Juneau, and Natomas. The downward spiral of prices on the Manila exchange is of too painfully recent memory to require comment.

The cause that was generally ascribed for the haste of investors to unload their gold shares on a weak and declining market was not entirely hysteria, but superficially at least, was based on sound reasoning. It was held that the operating costs of all gold mining companies were bound to increase under war conditions and soaring commodity prices, while the price of their product, that is, gold bullion, would remain stationary. With a fixed price for gold, but increasing unit costs, the margin of profit remaining would inevitably be less and hence dividend reduction would be in order. For mines where the margin of profit over costs was already small, it would mean shutdown. For mines with reserves of high grade ore, it would mean rapid depletion in order to keep up production, with the need to abandon much low grade material that would not pay with higher operating costs, hence the life of the mine would be shortened. It made a disheartening enough picture, scarcely tempered by the faint hope that somehow, someday, the price of gold might again be advanced.



Baguio Gold Mining Co. Mill

Old records were thumbed over to learn what had happened to the gold mines during the first World War and fresh fuel was found for pessimism. It was discovered that during the five-year period 1915-1920 the profits of gold mines almost vanished. Confronted with war time prices for essential supplies such as dynamite, drill steel, cyanide, and fuel oil, along with inability to hold their men at the mines in competition with the siren call of big wages cheerfully paid by the base metal mines that were riding on the crest of 25 cent. copper and 15 cent zinc, many gold mines quite naturally bolded up. Gold production in the United States fell to less than 2,500,000 ounces in 1920, barely half of what it was at the start of the War. The situation was so bad that there was serious talk in Congress of placing a bounty on gold production, such as was actually done for a time in Australia.

The present war is now in its twentieth month, and if the prophets of disaster were right in their forebodings, some tangible evidence should be at hand showing acute distress of the gold miners, and should be readily evident in the recently issued annual reports of the companies which give financial and operating results during 1940. A critical study of these confirms the belief that while the gold mines have encountered increased costs for supplies and equipment, these increases are by no means so large as the Cassandras had held were inevitable. Indeed, in some cases, per-ton costs have actually decreased, even with stationary production of ore.

A word of caution is necessary in making any comparison of costs between 1939 and 1940, or indeed for any two years. Conclusion cannot fairly be drawn if operating conditions at the mine have radically changed so as to make a rise or fall in per-ton costs out of all proportion to a variation in the cost of supplies. For instance, if the milling rate were greatly increased, a lower per-ton cost should logically follow in any event and the reverse is also true. Similarly, a change in the character of the ore might eliminate a heavy marketing expense, and result in a lower milling cost even if tonnage were less. Hence it is necessary to pick out instances where milling rate has been maintained approximately the same for both periods under consideration, and where so far as known, operating conditions have not varied appreciably.

With this in mind, the following table is submitted of operating costs before depreciation and depletion, for six well-known Philippine gold mines, during the years 1939 and 1940. The essential data have been taken from the annual reports of the companies, and it is believed that they may be fairly compared.

These six mines milled a total of 636,234 tons in 1939, and 723,823 tons in 1940, an increase of 87,589 tons, or about 13 per cent. Normally, such an increase in milling rate should lower costs somewhat but not to any extraordinary extent. The average cost per ton of the six mines was P13.65, while in 1940 it was P13.12. This is a decrease of P.053 per ton, or about 4 per cent, and is quite the reverse of what was expected by some who had anticipated that soaring prices for supplies and equipment would play havoc with the operating costs.

This showing during a war year is exceedingly creditable and the mine managements are to be congratulated upon the results, but the conclusion appears justified that after making all due allowance for increased efficiency and operating technique, these costs could not have been achieved had prices of supplies and equipment advanced precipitately. Whether this will continue to be the case is problematical but it is a reasonable bet that if the Pacific remains open for supply ships, and unforeseen contingencies do not arise affecting America's position in the war, no drastic change in cost of supplies need be feared.

What had evidently been overlooked or at least minimized by those who feared that commodity prices' would skyrocket on the declaration of war, was the announced policy of the Administration to put a ceiling on prices so far as it was possible to do so. Through various new agencies a moral and legal curb has been clamped down on profiteers, and speaking generally, the great majority of business men with the vivid memory of post-war deflation still with them are thoroughly in favour of maintaining stable price levels where conditions permit. Instances can readily be cited of the Administration's price control endeavors, such as the practically fixed 12 cent price for copper and the 7 cent price for zinc, altho demand for both metals at the present time exceeds domestic supply. With such static price levels for raw materials, manufacturers of equipment have less excuse for advancing prices on their own products, even if they were willing to court the ill-will of old customers by advancing quotations for the sake of temporarily larger profits.

Mine	Tonnage milled 1939	Operating Cost per ton, 1939	Tonnage milled 1940	Operating Costs per ton, 1940	Change
Big Wedge	75,362	P.13.31	75,642	P.12.84	—P.0.47
United Paracale	112,729	17.10	126,321	16.03	— 1.07
Suycc	77,096	13.97	79,152	14.58	+ 0.61
Surigao Corsol	104,091	8.30	117,017	9.44	+ 1.14
San Mauricio	148,732	20.07	182,696	17.39	— 2.68
Baguio Gold	118,224	8.75	142,995	8.45	— 0.30

Japan's Iron Ore in Malaya also Frozen

WHILE considerable attention has been given in the press to the losses that Japan has suffered under Anglo-American credit freezing, little has been heard of the important but comparatively unknown mining interests that Japanese firms hold in Malaya. Reports from Singapore state that these mines have been forced to close down because of the freezing order. This, together with the recent rule under which all exports from the British Empire to Japan are prohibited except under license make it highly likely that this source of iron ore has been cut off.

Japanese concerns own two mines in the state of Trengganu, Malaya, one in the state of Johore and one in Kelantan. In 1937 the total output of ore was 1,816,969 tons, all of which was transported to Japan for smelting.

Disruption of this supply undoubtedly is a blow to the Japanese steel industry, but this action like all others works two ways. The Malay states levy an export tax, and these Japanese firms have paid a tidy sum each year for the ore taken out of the country. In some states, for instance, recent official figures show as much as 17 percent of the total revenue realized by the government has been paid by Japanese mining companies. If this source of income is disrupted for long it is probable that the government affected will face budgetary difficulties unless expenses are slashed or additional taxes levied on other quarters.

Perhaps the best known of the Japanese mines in Malaya is the Nippon Mining Company at Dungun, Trengganu. Recent reports say machinery and equipment has been loaded on to boats from this mine and that 900 Japanese are preparing to return home. The mine employs more than 5,000 laborers, mostly Straits Chinese, who have with few exceptions provided a steady and reliable supply of workmen since operations were started in 1930.

Ore trains are run from the mines to loading jetties at Nibond on the Dungun River, and to Sura on the coast about 18 miles distant. Junks carry the ore to steamers owned and operated by the company. Loading is not possible for three months during the northeast monsoon.

Another Japanese firm in Trengganu is the Ishihara Sangyo Kaisha, Ltd., at Machang Sa'tahun near Kemaman. These operations were started in 1928 and the property yields manganese, tin and iron ore. Transport is by rail to Sungei Pinang where it is loaded into junks and taken to Kuala Kemaman for shipment to Japan in the company's own ships. In 1938 the two Japanese firms in Trengganu mined 905,316 tons or iron ore.

Iron ore mining in Kelantan was begun in 1937 by the Southern Mine Company, Ltd., with head offices in Tokyo. The ore on this property is said to contain approximately 54 percent iron.

The Japanese-owned mine in Johore is operated at Batu Pahat, only a few hours distant from Singapore. The others are comparatively isolated, especially those in Trengganu, since the eastern coast of the Malay peninsula has not been opened up wtih railroads and highways as much as the west coast.

In the decade and a half that Japanese interests have developed Malayan mining properties there have been few instances of friction with the local governments. In fact the authorities have welcomed Japanese capital for the enterprises were operated in a creditable manner and did much to increase the prosperity and further the development of the backward states.

With characteristic efficiency the Japanese have developed their own fleet of ore carrying ships which will now have to be diverted to other uses. It is probable also that the business offices of these mining interests in Singapore will be reduced to skeleton staffs until the current difficulties are overcome.

While it is impossible to predict the future of these operations it is probable that the Japanese will be welcomed back after the present crisis is over. Malaya while known chiefly for its rubber and tin has many other resources, and the Japanese have been the first to develop the iron deposits. Bauxite deposits are also known to be present, and it is likely that post-war development will see industrial areas springing up taking advantage of these resources, water power sites and cheap labor.

TEXTILES

Shanghai Cotton Industry in 1941

By C. S. GREEN

BECAUSE of political and economic reasons, Shanghai's cotton industry in the first half year of 1941 was not as active as in the same period of the previous year. As a matter of fact, production of the cotton mills in Shanghai during the first six months of the current year dropped by one-third when compared with the corresponding period of 1940.

The expansion of the European war and the increasing tension in South Pacific caused considerable uncertainty in this metropolitan city of Shanghai. The shortage of shipping space resulted in an increase of the prices of raw cotton while tightening of the blokade against the China coast reduced the exports of cotton piece goods as well as cotton yarn from this city. The shortage of supply of coal made it necessary for the Shanghai Power Company to curtail its operations and the cotton mills were hard hit as all of them are operated by electric power.

The 64 cotton mills of Shanghai continued to operate 2,180,000 spindles and 26,800 looms. Of the total, 21 mills are managed by the Chinese with a total of 617,000 spindles and 4,600 looms. The Japanese operate 38 mills, including those formerly owned and managed by the Chinese interests, with a total of 1,328,000 spindles and 18,500 looms. The British interests operate five mills with a total of 241,000 spindles and 3,700 looms.

During the first six months of the year, these 64 cotton mills turned out a total of 405,819 bales of cotton yarn or an average monthly production of 67,636 bales of cotton yarn. In the corresponding period of 1940, it may be recalled, these 64 mills manufactured a total of 624,224 bales of cotton yarn or a monthly average of 104,037 bales. The following table gives the production of cotton yarn of the local mills during the first six months of the year:

Table 1: **Production of Cotton Yarn**

1940:	Chinese Mills	British Mills	Japanese Mills	Total
January . . .	34,067	6,020	61,148	101,235
February . . .	25,179	5,115	61,948	92,242
March	30,378	4,985	67,518	102,881
April	33,456	5,235	70,893	109,584
May	36,358	7,510	70,818	114,686
June	33,951	6,610	63,035	103,596
Total . . .	193,389	35,475	395,360	624,224
1941:				
January . . .	31,242	5,275	27,568	64,085
February . . .	32,786	5,539	28,946	67,271
March	36,307	6,605	31,695	74,607
April	34,558	5,473	30,174	70,205
May	32,843	5,805	92,420	68,068
June	29,702	5,225	27,196	62,123
Total . . .	174,999	33,922	197,438	406,359

From the above, it can be seen that total production of cotton yarn in the first six months of the current year dropped by 217,865 bales when compared with the corresponding period of 1940 or a decrease of 30 per cent. This decline was due mostly to the heavy decline of production by the Japanese cotton mills. The production of cotton yarn by the Japanese mills in the first six months of this year totaled 197,438 bales as against 395,360 bales for the corresponding period of 1940 or a decrease of 50 per cent. The production of the British mills dropped by 9 per cent while the production of the Chinese mills dropped by also around 9 per cent.

Production of cotton cloth by these 64 cotton mills in the first six months of 1941 totaled 6,390,487 pieces as against 11,569,180 pieces for the corresponding period of 1940 or a decrease of 45 per cent. The following table gives the detailed figures about the production of cotton cloth in the past six months:

Table 2: **Production of Cotton Cloth**

1940:	Chinese Mills	British Mills	Japanese Mills	Total
January . .	152,830	189,250	1,442,900	1,784,980
February . .	121,182	160,865	1,436,180	1,718,227
March . . .	181,209	202,680	1,589,084	1,971,973
April . . .	198,000	203,000	1,669,000	2,070,000
May . . .	248,000	188,000	1,700,000	2,136,000
June . . .	216,000	163,000	1,510,000	1,889,000
Total . .	1,116,221	1,106,795	9,347,164	11,570,180

1941 :				
January . . .	220,195	106,201	707,710	1,034,106
February . .	225,960	110,990	739,555	1,076,505
March . . .	244,537	119,310	795,020	1,158,867
April . . .	232,000	108,000	755,000	1,095,000
May . . .	223,000	114,000	736,000	1,073,000
June . . .	202,000	103,000	648,000	953,000
Total . .	1,347,692	661,501	4,381,285	6,390,478

From the above table, it can be seen that production of cotton cloth by Japanese mills in the first six months of the current year dropped more than 53 per cent. while the British mills dropped by 40 per cent. and the Chinese mills actually increased by 12 per cent.

During the first three months of the current year, the cost of production of yarn was estimated to be $1,350 for the 20's ($1,060 for raw cotton and $90 for production costs) and $940 for the 10's ($740 for raw cotton and $200 for production costs). In the second quarter of the year, the cost of production increased. For instance, the total cost for 20's was $1,420 ($1,130 for raw cotton and $290 for others) and the cost for 10's was $1,040 ($840 for raw cotton and $200 for others).

The cost of production of cotton cloth in the first quarter of the current year was around $58.70 ($51.20 for raw materials and $7.50 for production expenses) for 16 lb. "Globe" and $49.50 ($42.00 for raw materials and $7.50 for others) for 12 lb. "Ta Pung" cloth. In the second quarter of the year, the cost of production of 16 lb. coarse cloth was $56.80 while the cost of 12 lb. fine cloth was $52.40.

The 64 cotton mills in the first six months of 1941 consumed a total of 1,408,280 piculs of raw cotton as against 2,155,788 piculs for the corresponding period of 1940. The following table gives the amounts of raw cotton consumed by the local mills every month:

Table 3: **Consumption of Cotton by Local Mills**

1940 :	Chinese Mills	British Mills	Japanese Mills	Total
January . .	119,159	20,980	209,750	349,889
February . .	88,308	17,821	212,605	318,734
March . . .	106,896	11,408	232,504	350,808
April . . .	116,587	18,278	244,130	378,995
May . . .	125,915	26,206	243,545	395,666
June . . .	118,706	23,230	219,860	361,796
Total . .	675,571	117,823	1,362,394	2,155,888
1941 :				
January . .	107,912	18,209	95,562	221,683
February . .	114,716	19,119	100,341	234,176
March . . .	126,580	20,935	109,873	257,388
April . . .	120,771	18,559	104,598	243,928
May . . .	114,637	19,592	101,983	236,212
June . . .	104,562	17,633	92,698	214,893
Total . .	689,178	114,047	605,055	1,408,280

Large quantities of raw cotton were imported during the past six months under review. According to Customs statistics as many as 1,465,873 piculs were imported in the six months as shown in the following table:

Table 4: **Import of Raw Cotton**

1940 :	American Cotton	Indian Cotton	Brazilian Cotton	Egyptian Cotton	Others	Total
January	131,401	20,104	16,389	8,807	—	176,701
February	212,472	37,464	9,872	23,703	—	283,511
March	247,155	17,751	3,692	19,947	20,466	309,011
April	340,347	189,450	891	20,674	39,513	590,875
May	80,731	203,595	979	3,148	28,468	316,921
June	118,999	322,497	32,883	7,788	7,682	489,849
Total	1,131,105	790,861	64,706	84,067	106,129	2,166,868
1941 :						
January	8,844	161,602	17,214	6,809	9,150	203,619
February	14,292	161,413	39,275	20,697	3,718	239,375
March	13,917	143,927	19,426	8,460	14,338	200,068
April	56,867	234,834	88,798	1,485	35,442	417,426
May	57,768	138,828	60,985	1,963	6,420	265,965
June	83,330	29,517	5,006	—	21,567	139,420
Total	235,018	870,121	230,705	39,414	90,635	1,465,833

A glance of the above table will show that Shanghai imported much less cotton in the first six months of this year than the corresponding period of 1940. Import of American cotton dropped from 1,131,105 piculs in 1940 to 235,018 piculs in 1941. Import of Egyptian cotton dropped from 84,065 piculs in 1940 to 39,414 piculs in 1941. However, import of Indian cotton increased from 790,861 to 870,121 piculs and import of Brazilian cotton increased from 64,706 to 230,705 piculs.

On June 30, 1941, Shanghai had in stocks 412,000 piculs of raw cotton as against 422,000 piculs by the end of June, 1940. The following table gives the raw cotton stocks by the end of different months:

Table 5: **Local Stocks of Raw Cotton**

	1941	1940
January . . .	442,800 piculs	263,491 piculs
February . . .	383,000 „	306,206 „
March	401,000 „	425,617 „
April	393,000 „	500,000 „
May	427,000 „	419,000 „
June	412,000 „	422,000 „

These above figures included only raw cotton stored in the various godowns of the International Settlement and the French Concession of Shanghai. If raw cotton stored in Pootung, Hongkew as well as in the different cotton mills were included, total stocks of raw cotton in this city by the end of June would be around 1,000,000 piculs, sufficient to meet the demand of the local cotton mills for six or seven months.

With shortage of shipping space, increase of freight charges, and the depreciation of the value of fapi, import of foreign cotton has become more and more a difficult proposition for the cotton firms. For instance, the price of U.S. Middling for delivery in August is around $513.30 per picul but in the early part of the year was only $384, or an increase of $129.30. The price of Broach was around $295.65 as against $272.15 for the early part of the year, or an increase of $23.50. The price of 15/16" U.S. Middling costs in foreign market $430.52 and the freight charge and other expenses will be around $82.78 and therefore the minimum selling price in Shanghai must be $513.30. As to Indian Broach cotton the cost price in India was $226.14 and the freight charge and other expenses were $69.51 and the minimum selling price in Shanghai was therefore $295.65.

It is estimated that cotton crops in the occupied areas of Central China for the current year is very good. It is believed that total production of cotton will amount to 2,000,000 piculs. However, out of the total of 2,000,000 piculs only 30 per cent. will be used to supply the Japanese cotton mills in Shanghai and other cities of Central China and the remaining 70 per cent. will have to be distributed to North China, Manchurian and Osaka cotton mills.

Because of the difficulty of importing raw cotton and the growing difficulty to obtain native cotton, the local cotton market has become one of the many speculative markets in Shanghai. In the first six months of 1941, 929,643 piculs of raw cotton changed hands in the local market, representing an increase of 190,213 piculs when compared with the corresponding period of 1940. The following table gives the amounts of raw cotton transacted in the different months of the year:

Table 6: **Total Turnover in Local Cotton Market**

	Chinese Cotton	Foreign Cotton	Total
1940:			
January . . .	93,426	23,444	116,870
February . . .	117,356	37,233	154,589
March	99,029	60,685	159,714
April	74,499	113,799	188,298
May	32,080	54,299	86,379
June	8,370	35,210	43,580
	749,430	324,670	749,430
1941:			
January . . .	23,244	86,711	109,955
February . . .	28,567	154,005	182.572
March	18,029	124,554	142,583
April	25,147	157,355	182,502
May	14,342	82,232	96,574
June	40,069	175,338	215,407
	149,398	780,195	929,593

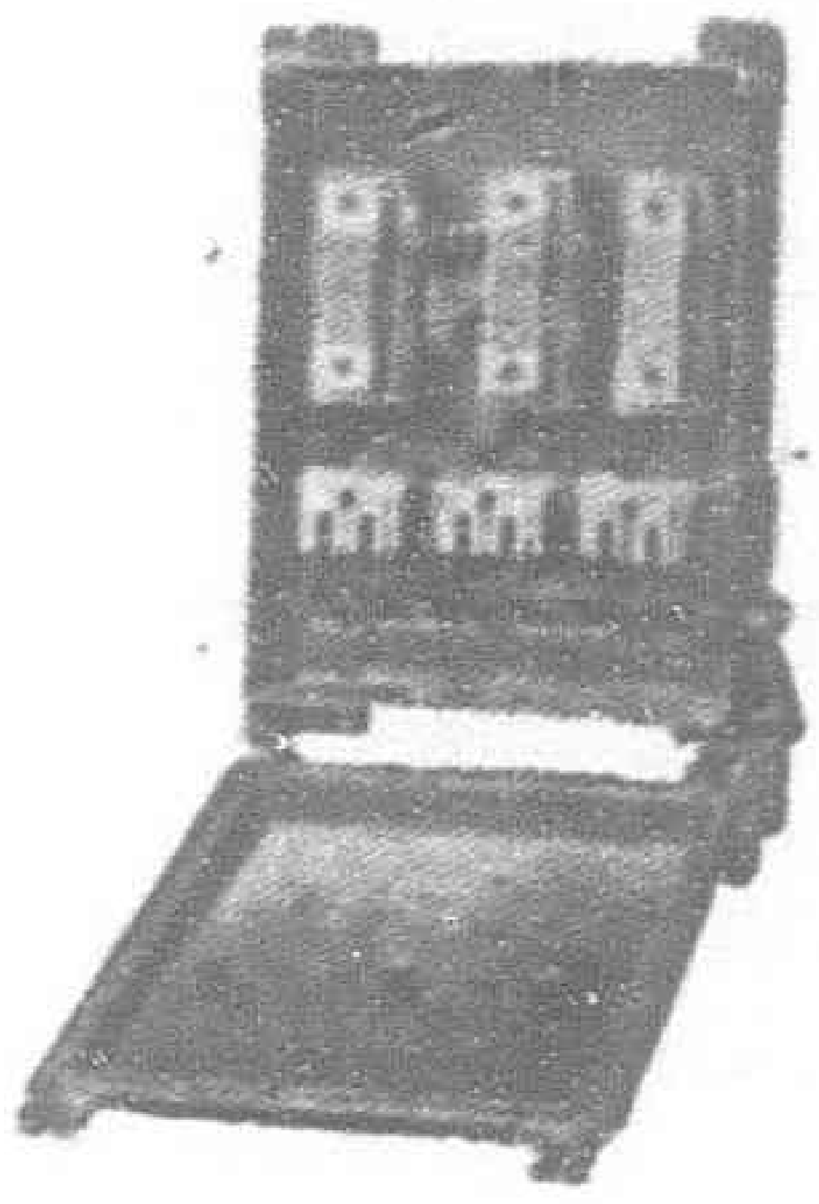
The local cotton market condition changed completely in the first six months of 1941 when compared with the corresponding period of 1940 as shown in the above table. In the first six months of 1940, the amount of Chinese cotton transacted in the market was more than double that of foreign cotton but in the corresponding period of 1941, the amount of foreign cotton transacted in the market was more than five times that of the total transaction of Chinese cotton. This shows that less and less Chinese cotton is available in Shanghai and that Shanghai has to depend more and more upon foreign cotton. That the total turnover of raw cotton in the first six months of 1941 increased much when compared with the corresponding period of 1940 shows also

(Continued on Page 77)

CRAB
REGISTERED TRADE MARK

Crabtree 500-Volt Switchgear

Below: Non-Weatherproof Double Pole Switch (for flexible cable).



Left: Weatherproof Triple Pole and Neutral Smith—Juse (for conduit).

The Crabtree range of weatherproof and non-weatherproof switch and fuse gear successfully meets the demand for competitively priced ironclad gear suitable for heavy-duty industrial use at pressures up to 500 volts.

In the general design of the mechanism and the switch and fuse components, both patterns are similar, although the weatherproof units possess certain features—such as conduct entries at top and bottom of the case, and a special watertight packing gasket round the cover — which are peculiar to the range. In all units, though, whether switches or switch-fuses, a sheet-steel plate is cast into the box for carrying the spindle and spring bearings and to withstand the mechanical shocks occasioned by the recoil of the switch spring. The economic advantages of a cast-iron box are in this way combined with the extra mechanical strength and accuracy afforded by a steel stamping. Another feature to which considerable thought has been given is the carrying the moving switch arms. This is a steel spindle upon which a laminated insulating material is moulded by a unique process, giving the greatest rigidity with the highest electric properties.

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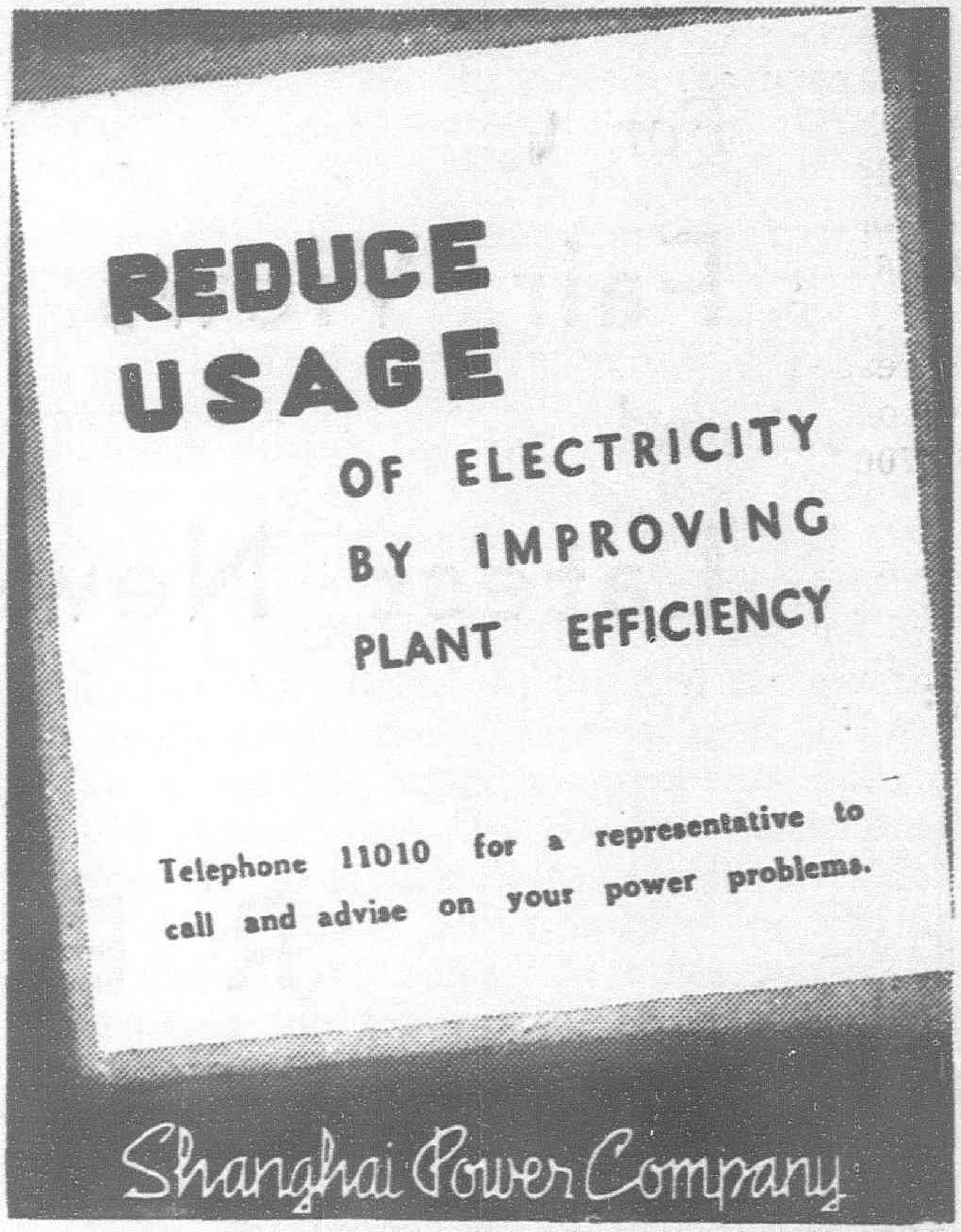

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that the speculative business in the city has been greatly increased this year. It is interesting to note that total turnover of raw cotton in May and June of 1940 dropped considerably when compared with that of the previous months. That was due to the serious change of the market prices resulted from the occupation of the low countries in Europe by Germany.

Prices of cotton increased more than $200 for U.S. Middling in June, 1941, when compared with January, 1940, and over $30 for Hooche in June, 1941, when compared with January, 1940. The following table gives the average prices of cotton in the different months:

Table 7: **Average Price of Raw Cotton**

	U.S. Middling	Broach	Hooche	Tachung-chi
1940:				
January . . .	$232.00	$185.25	$161.14	$214.11
February . . .	253.41	208.10	181.39	230.50
March . . .	264.13	227.00	197.55	234.65
April . . .	285.58	232.70	203.75	247.63
May . . .	322.89	265.16	270.98	227.20
June . . .	296.67	192.50	178.35	227.22
1941:				
January . . .	$310.60	$238.62	$202.97	$248.00
February . . .	348.00	273.50	206.80	260.40
March . . .	354.70	240.45	200.30	273.63
April . . .	386.87	256.29	200.05	293.68
May . . .	419.25	265.95	195.96	321.80
June . . .	443.50	278.39	194.33	318.00

The cotton yarn market in Shanghai is probably the most important speculative market of the city. There are at present no less than three cotton yarn exchanges, the old cotton yarn exchange, the Shanghai cotton yarn exchange and the Japanese cotton goods exchange. Total turnover in the six months of 1941 was 1,121,682 bales of yarn as against 299,089 bales for the corresponding period of 1940 in the old cotton yarn exchange. From these two figures, it is apparent that the speculative activities in the yarn market increased by four times during the past year. The following table gives the total turnover for the different months of the year:

Table 8: **Total Turnover of Cotton Yarn**

	Local Speculators	Outport Merchants	Total
1940:			
January	28,945	16.017	44.962
February . . .	35,464	4,745	40,209
March	44,262	13 079	57,341
April	51,850	16,653	68.503
May	28,308	17,094	45.402
June	32,245	10,427	42,672
	221,074	78,015	299,089
1941:			
January . . .	109,020	8,049	117,069
February . . .	179,105	11,283	190,388
March	180,935	13,291	194,226
April	132,807	30,867	163,674
May	252,935	14,835	267,770
June	169,105	19,450	188,555
	1,023,907	97,775	1,121,682

This above table shows also the intensification of the speculative activities in Shanghai during the first six months of the current year. For instance, total turnover of cotton yarn in the first six months of 1940 totaled 299,089 bales but in corresponding period of 1941 was 1,121,682 bales, an increase of four times. In the first six months of 1940, local speculators bought 211,074 bales while the outport merchants bought 78,015 bales, but in the corresponding period, the local speculators bought as much as 1,023,907 bales while outport merchants took only 97,775 bales. In other words, 92 percent of the total turnover of the entire market was taken by local speculators and only 8 percent was actually bought by outport merchants.

As the produciton of cotton mills decreased much in recent months, local stocks of cotton yarn dropped also. By the end of June, 1941, Shanghai had in stocks only 188,555 bales as against 42,672 bales for the end of June of 1940. The following tables gives the stocks of cotton yarn in the local market:

Table 9: **Local Stocks of Cotton Yarn**

	Chinese and British Products	Japanese Products	Total Stocks
1940:			
January . . .	144,000	59,000	203,000
February . . .	164,000	76,000	240,000
March	170,000	89,000	259,000
April	114,000	89,000	203,000
May	170,000	101,000	271,000
June	176,000	101,000	277,000
1941:			
January . . .	191,000	115,000	306,000
February . . .	195,000	118,000	313,000
March	197,000	119,000	316,000
April	184,000	107,000	291,000
May	182,000	107,000	289,000
June	178,000	104,000	282,000

The activities of the speculators have pushed up considerably the prices of cotton yarn. For instance, the price of 20's "Double Horse," which is the standard yarn for speculation in the market was sold at an average price of $730.59 in January, 1940, but it increased to $1,389.14 in January of 1941. By June, the average price of 20's

"Double Horse" increased to $1,492. The price of 10's "Boy Scout" in January, 1940, was $586.85 but in January, 1941, was $925.60 and in June, 1941, was $1,002. The following table gives the prices in detail:

Table 10: **Prices of Cotton Yarn**

	20's Double Horse	20's Double Globe	10's Boy Scout
1940:			
January	$ 730.59	$ 701.97	$ 586.85
February	827.33	796.46	655.77
March	947.70	880.82	736.86
April	1,330.00	1,189.00	980.00
May	1,454.00	1,376.00	926.00
June	1,098.00	1,057.00	761.00
1941:			
January	1,398.14	1,196.53	925.60
February	1,375.00	1,188.00	884.00
March	1,395.00	1,214.00	904.00
April	1,464.00	1,292.00	961.00
May	1,479.00	1,309.00	999.00
June	1,492.00	1,295.00	1,002.00

In the first six months of 1941, Shanghai exported 33,875 bales of cotton yarn as against 35,137 bales for the corresponding period of 1940. With the expansion of war in Europe, there are large demands of cotton yarn from Shanghai by the South Sea islands. The following table gives the amounts exported to different places in the past few months:

Table 11: **Exports of Cotton Yarn**

To:	First Six Months of 1940	First Six Months of 1941
Netherlands East Indies	1,176	12,530
British India	10,212	49
Hongkong	13.299	8,452
Formosa	2 729	4.521
Thailand	1,515	2.259
Philippines	240	1.339
Others	5,966	4,725
Total	35,137	33,875

The local cotton cloth market is also an important place for speculation, especially the Japanese cotton goods exchange. Total turnover in the Chinese exchange was 70,685 bales for the first six months of 1941. The amount purchased by local dealers and different outport merchants are given below:

Table 12: **Total Turnover of Cotton Cloth**

	Local Dealers	Outport Merchants	Total
1940:			
January	3,700	4,500	8,200
February	4,900	4,876	9 776
March	8,400	8,690	17,090
April	10.350	14,610	24,960
May	6,060	8 620	14,680
June	4,790	6,500	11,290
Total	38,200	47,796	85,996
1941:			
January	6,450	9,300	15,750
February	5,780	2,900	8,680
March	5,830	4,200	10,030
April	13,150	5,940	19,090
May	4,050	3,200	7,250
June	7,250	7,635	14,885
Total	42,510	33,175	75,685

Prices of cotton cloth increased also as that of yarn. For instance, 16 lb. "Double Elephant" was sold in January, 1940, at $26.35 but in January, 1941, at $40.50 and in June, 1941, at $50.13. The price of 12 lb. "Ta Pung" was in January, 1940, $23.20 but in January, 1941, $40.90 and in June, 1941, $43.94.

The following table gives the prices of cotton cloth in the local market for the past year:

Table 13: **Prices of Cotton Cloth**

	16 lbs. "Double Elephant"	12 lbs. "Ta Pung"
1940:		
January	$26.35	$23.20
February	30.00	26.19
March	33.56	29.49
April	44.81	43.63
May	47.64	45.63
June	37.65	34.90
1941:		
January	40.50	40.90
February	41.88	42.31
March	41.88	43.44
April	49.10	44.00
May	48.94	44.44
June	50.13	43.94

Local stocks of cotton cloth dropped considerably when compared with the past year. For instance, at the end of June, 1941, Shanghai had in stocks 39,500 bales of cotton cloth but at the end of June, 1940, 137,250 bales. The following table gives the stocks of cotton cloth by the end of different months:

Table 14: **Local Stocks of Cotton Cloth**

	1941	1940
January	53,500	103,000
February	43,300	100,500
March	34,000	72,000
April	32,300	91,500
May	34 900	109,800
June	39,500	137,250

Large quantities of cotton cloth were exported also in the past year. Total export in the first six months of 1941 was 29,150 bales as against 51,470 bales for the corresponding period of 1940. This sharp decrease was due to the Japanese military activities in Kwangtung during the early

(Continued on Page 92)

SHANGHAI
MARKET PLACE OF THE ORIENT

Foreign Trade—Finance—Commodities—Living Costs

FOREIGN TRADE

ACCORDING to the monthly returns issued by the Chinese Maritime Customs covering the foreign trade of Shanghai, net imports during July totalled $90,531,887, representing an increase of $2,529,891 when compared with June and net exports amounted to $186,969,641 representing an increase of $8,641,350 when compared with June.

In pound-sterling, Shanghai's imports in July valued at £5,613,129 as against £3,811,026 for the previous month and Shanghai's exports in July valued at £2,507,539 as against £2,972,700 for the previous month. In other words, Shanghai's imports in July increased by 19.7 per cent in sterling value while exports decreased by 15.6 per cent. The following table gives Shanghai's imports and exports:

	Imports	Exports	Total
January	£ 2,874,572	£ 1,644,530	£ 4,519,102
February	3,974,642	1,724,387	5,699,029
March	3,425,059	2,247,250	5,672 309
April	5,719,236	2,473,678	8,192,914
May	4,380,409	2,702,774	7,083,183
June	3,811,026	2,972,700	6,783,726
July	5,613,129	2,507,539	8,120,668
Total	£29,798,073	£16,272,858	£46,070,931

These cumulative figures in imports and exports for the first seven months of 1941 give an import surplus of £13,525,215 as against £19,742,756 for the corresponding period of 1940 in Shanghai's foreign trade. The following table gives the amounts of import surplus for the different months of the year:

	1941	1940
January . . .	£ 1,230,042	£ 22,509
February . .	2,250,255	1,571,951
March . . .	1,177,809	2,919,403
April . . .	3,245,558	5,224,449
May	1,677,635	2,899,824
June . . .	838,326	3,022,337
July	3,105,590	4,082,283
	£13,525,215	£19,742,756

With the exception of Netherlands East Indies, French Indo-China and Hongkong, imports from all countries in July increased when compared with June. More goods were imported from the United States and Burma during the month. It is interesting to note that Shanghai's imports from Germany increased much in July. During the first seven months of 1941, imports from Germany increased by 90 per cent when compared with the corresponding period of 1940. During the same period, imports from Great Britain dropped by 34 per cent. The following table gives the positions of different trading countries in Shanghai's imports in July:

Imports from:	July, 1941	June, 1941
U. S. A.	$27,628,362	$17,335,125
Burma	13,258,101	7,369,261
Netherlands India	7.933,251	8,878,026
Japan	5,921,064	4,839,515
British India	5,753,837	2,589,633
Germany	4,623,856	2,093,965
French Indo-China	4,480,861	6,671,041
Australia	2,746,755	1.886.351
Great Britain	2,582,077	2,057,014
Hongkong	1,136,098	1,266,508
Other Countries	14,467,625	6,480,059
	$90,531,887	$61,466,498

As to exports, there was a sharp drop of 54 per cent so far as exports to the Kwantung Leased Territory is concerned. This is important as it shows that 54 per cent less of goods were sent to Germany in July as most of the goods exported to Kwantung Leased Territory were destined for Germany. Exports to Britain, for the first seven months of 1941, dropped by 24 per cent when compared with the corresponding period of 1940. The following table gives the positions of the trading countries in Shanghai's exports in July:

Exports to:	July, 1941	June, 1941
U. S. A.	$54,419,914	$49,447,300
Hongkong	25,375,302	28,116.166
Kwantung, L. T.	16,102.503	35,380,991
S.S. and F.M.S.	12,835,230	10,348,071
French Indo-China	11,758,688	6,486 440
Netherlands India	10,279,496	11,178,361
Japan	9,895,753	9,184,559
Siam	9,741.817	8,121,389
British India	8,495,172	7,641,773
Philippine Islands	8,119,055	8,322,611
Great Britain	4,768,091	28,373,006
Other Countries	15,179,620	12,779 560
	$186,969,641	$215,380,227

SHIPPING

The shipping situation in China has been greatly affected by the expansion of the European War in recent months as well as the freezing of Chinese and Japanese assets by Britain and the United States. The following account is reproduced from the Tokyo Chugai:

Entrances at Chinese ports for the first half of this year totaled 17,965 ships (5,516,375 tons) and clearances, 17,611 ships (5,465,183 tons). The grand total of entrances and clearances aggregated 35,576 ships (181,562 tons), sharp decrease of 17,004 ships (2,329,004 tons), in comparison with 52,580 ships (13.301,656 tons) for the corresponding period of last year.

Japan has the upper hand in China shipping followed by Britain and the United States. One of the most noteworthy tendencies witnessed during the first half of this year is that Soviet as well as Thai mercantile vessels have begun to appear in Chinese ports after several years' absence.

American ships which visited Chinese ports during the first five-month period of this year constituted, 153,483 tons; British ships, 193,299 tons; Chinese ships, 72,800 tons; Finnish ships, 1696 tons; French ships, 51,856 tons; Greek ships, 7272 tons; Japanese ships, 1,157,972 tons; Dutch ships, 58,313 tons; Norwegian ships, 7210 tons; Portuguese ships, 15,160 tons; Swedish ships, 18,158 tons; and Thai ships, 4016 tons.

Western shipping activities in China, as classified by flags, are as follows: The American President Line had been operating six de luxe passengers boats on the U.S. Pacific coast-Shanghai route, but the service of this steamship company in China waters has been suspended since last June because of the requisitioning of the six ships by the American Navy. The Lykes Brothers Line is now operating eight freighters (57,000 tons) and the Standard Oil Company, two tankers (7,000 tons).

Until early this spring, 72 ships (652,000 tons) were in commission on the Europe-China line; seven ships (113,000 tons) on the China-South Pacific countries line and 53,000 tons of vessels on the Australia-China line. Today, however, all of these three lines are suspended, although British shipping is maintaining latent power on the Chinese coastal lines.

The Taikoo Chinese Navigation and the Jardine companies, both British-managed firms, are operating 47 ships (122,000 tons) 35 ships (92,000 tons) respectively on the Chinese coastal service. Apart from these craft, Great Britain succeeded in placing under its control nine ships (67,000 tons) of the Java-China Japan Line, a Dutch firm; 10 Norwegian ships (27,000 tons) of Norway; one Danish ship (1,500 tons); two Greek ships (10,000 tons); 11 Panamanian ships (39,000 tons); and six Dutch ships (30,000 tons) of the K.P.M. Line.

Mercantile vessels under the control of the de Gaulle Regime were requisitioned by the British Government, but 12 ships (70,000 tons) under the control of the French Indo-China Government are now plying the F.I.C. Manila-Shanghai route. The British Government also requisitioned eight Norwegian ships and three Greek ships which had been in the East Asia service.

FINANCE

Great confusion was created in the exchange market following the freezing of Chinese and Japanese credits in America and Britain on July 26. It seems that neither the fourteen banks nor the importers and speculators know exactly what is going to happen in the exchange market. As a result, Chinese fapi continued to drop in value as speculators continued to buy foreign exchange in the local black market. The really important development in Shanghai's black market came on August 18 when the Currency Stabilization Board took definite action to support the fapi in Shanghai. In a brief announcement, the Board declared that foreign exchange at 5.3125 and 3.15625d. would be supplied to those who import such necessities *not banned for import by the Chinese Government in Chungking.*

As a result of this order, Shanghai had two black market rates. One was 5.3125 and 3.15625d. to be supported by the Currency Stabilization Board and the other was around 4.625 and 4.8125 in U.S. Dollar or 2.78125d. and 2.96875d. in sterling. Obviously this action on the part of the Currency Stabilization Board would not be able to check the speculative activities in Shanghai as it would not restrict activities in the local black market. Furthermore, this arrangement would work against the interests of the Currency Stabilization Board as it would have to supply foreign exchange at 5.3125 and 3.15625d. for legitimate imports and would not be able to buy any foreign exchange from the local market at the same rate. Exporters would naturally sell their foreign exchanges in the black market where they could obtain more fapi for their foreign currencies.

It was apparently for the purpose of checking completely the activities of the local black market that an important conference was held in Hongkong between the members of the Currency Stabilization Board and the representatives of the foreign banks in Shanghai, including the managers of the Chartered Bank of India, Australia and China and the National City Bank of New York. At this time of writing, no details were revealed about the decisions in this conference but the decision of the Chase Bank to withdraw from the black market on August 29 and the decision of the other thirteen banks not to give any quotation in the black market show that the fourteen banks working closely with the Currency Stabilization Board have decided to do away with the black market in Shanghai. The future developments of Shanghai's exchange market in the next few months would be of great importance not only to the financial situation of China as a whole but to the trade relations between China and other countries.

The following table gives the names of goods which are banned from import by the Chinese Government in Chungking. *These are the goods, of which the importers cannot obtain foreign exchange at the fixed rates from the Currency Stabilization Board.* Numerials indicate Customs Classifications.

Cotton And Manufactures Thereof

77. Imitation gold or silver thread on cotton.
88. Lace, trimmings, embroidered goods, and all materials for decorative or ornamental purposes; and all products made wholly thereof.

Flax, Remie, Hemp Jute And Manufactures

102. Lace, trimmings, embroidered goods, and all materials for decorative or ornamental purposes; and all products made wholly thereof.

Wool And Manufactures Thereof

115. Lace, trimmings, embroidered goods, and all materials for decorative or ornamental purposes; and all products made wholly thereof.
116. Woollen knitted tissue pure or mixed.
120. Woollen, velvets, plushes, and all pile cloths, pure or mixed.
122. Woollen piece goods, pure or mixed, n.o.p.f.: not more than 200 grm per sq. m.; 200 to 400 grm per sq m.; more than 400 grm per sq m.
125. Woollen carpets, carpeting, and all other floor coverings, pure of mixed.
126. Hats, caps and hat bodies, of felt.

Silk and Manufactures Thereof

129. Natural silk, raw.
130. Artificial silk floss and yarn
131. Waste natural silk
132. Waste artificial silk
133. Spun natural silk
134. Spun artificial silk (inc. artificial woollen yarn).
135. Silk yarn and thread, pure or mixed, n.o.p.f.
136. Imitation gold or silver thread, on silk, pure or mixed.
137. Lace, trimmings, embroidered goods, and all materials for decorative or ornamental purposes; and all products made wholly thereof.
138. Silk knitted tissue, pure or mixed.
139. Bolting cloth.
140. Silk velvets, plushes, and all pile cloths, pure or mixed.
141. Silk waterproof cloth, rubbered, pure or mixed.
142. Silk piece goods, pure or mixed, n.o.p.f. natural silk; artificial silk; natural and artificial silk; natural silk and wool or natural silk and wool and vegetable fibre; artificial silk and wool or of artificial silk and wool and vegetable fibre; natural silk and cotton; artificial silk and cotton.
143. Silk elastic webbing, braid and cord pure or mixed.
144. Clothing and all other articles of personal wear and parts or accessories thereof, n.o.p.f.
145. Silk goods and silk mixtures, n.o.p.f.

Food, Drink and Vegetable Medicines

275. Awabi; in bulk; canned; others.
276. Bicho de mer; black spiked; black not spiked; white.
278. Compoy.
279. Crabs' flesh, dried.
280. Fish bones, cod, dried (inc. Boneless) cuttle,

dried and smoked (not inc. dried cod and cuttle-fish).
286. Fresh maws: 1st quality (i.e.o. 60 kg or over per piece). 2nd quality (i.e. under 0.60 kg per piece).
287. Fish, salmon, salt.
288. Fish salt n.o.p.f.
289. Fish heads, lips, skins, tails.
290. Mussels, oysters, clams, dried.
281. Prawns and shrimps dried, in bulk.
292. Seaweed cut.
293. Seaweed long.
294. Seaweed prepared.
295. Seaweed red.
296. Sharks' fins, prepared.
297. Sharks' fins not prepared, value not over GU. 80 per 100 kg; GU. 80 to GU. 410; over GU. 410.
299. Asparagus in cans or bottles 100 kg.
300. Bacon and hams, in bulk, canned or in other packing.
302. Beef, corned or pickled, in barrels, canned or in other packing.
203. Birds' nests.
304. Biscuits.
312. Confectionery.
313. Currants and raisins.
314. Eggs, game and poultry.
215. Fruits, table and pie (in cans or bottles).
316. Honey.
317. Jams and jellies.
318. Lard, in bulk, canned or in other packing.
319. Macaroni, vermicelli and similar products, in bulk, canned or in other packings.
321. Meats, dried and salted.
329. Soy sauce and other preparations, extracts or substances for flavoring food n.o.p.f.
330. Sausages dried.
332. Syrups table.
333. Tea; tea dust, black and others.
336. Apples, fresh.
351. Chestnuts.
353. Cinnamon.
354. Cloves in bulk, others.
355. Cloves, mother.
360. Fruits, fresh, dried, preserved, n.o.p.f., copra (in bulk), others.
364. Groundnuts, in shell, shelled.
366. Isinglass, vegetable.
367. Lemons, fresh.
368. Lichees, dried.
369. Lily flowers, dried.
370. Lungngan pulp.
371. Lungngans, dried.
375. Mushrooms.
376. Nutmegs, in bulk.
377. Olives (inc. fresh, dried, preserved).
379. Oranges, fresh.
380. Peel, orange, in bulk.
381. Pepper, in bulk, black, white.
282. Potatoes, fresh.
389. Seed pine (i.e., fir nuts.
392. Spices and condiments, n.o.p.f., not prepared, in bulk, others.
393. Sugar.
394. Vegetables, fresh, dried, prepared, salted, in bulk, others.
397. Sugar (sucrose) not inc. cube, loaf and sugar candy; refined, with more than 2 percent of invert sugar others (inc. raw), not over 868 of polarization.
399. Sugar cube and loaf.
400. Sugar candy.
401. Saccharine.
403. Champagne and any other wine sold under label "Champagne," case of 12 bottles or 24 half-bottles.
404. Other sparkling wines case of 12 bottles or 24 half bottles.
405. Still wines, red or white, exclusively produce of natural formentation of grapes (not inc. vins de liqueur) in bottles, case of 12 bottles or 24 half bottles in bulk.
406. Port wine in bottles, case of 12 bottles or 24 half bottles.
407. Marsala in bottles, case of 12 bottles or 24 half bottles in bulk.
408. Vins de Liqueur other than port and marsala (viz., madeira, malaga, sherry, etc.) in bottles, case of 12 bottles or 24 half-bottles, in bulk.
409. Vermouth, byrrh and quinquina, case of 12 litres.
410. Vermouth in bulk.
441. Sake, in barrels, in bottles, 22 litres or 12 sho.
412. Ale, beer, porter, stout, cider, berry and similar fermented spirituous liquors made of fruits and berries.
413. Brandy and cognac in bottles, case of 9 litres, (12 reputed quarts); in bulk.
414. Whisky in bottles, case of 9 litres (12 reputed quarts).
415. Gin in bottles, case of 9 litres (12 reputed quarts), in bulk.
416. Rum in bottles, case of 9 litres (12 reputed quarts), in bulk (not inc. rum for industrial uses).
417. Liqueurs, 9 litres (12 reputed quarts or 24 reputed pints).
418. Waters, table, aerated, mineral, 12 bottles or 24 half bottles.
419. Wines and all other alcoholic or spirituous liquors and beverages n.o.p.f.

Tobacco Whole

420. Cigarettes. Value over GU. 20 per 1,900 and all cigarettes not bearing a distinctive brand or name on each cigarette.
421. Cigars, Value over GU. 130 per 1,000.
422. Snuff and chewing tobacco.
423. Tobacco leaf.
424. Tobacco, prepared in tins, or packages, in bulk.
425. Tobacco stalk, dust, siftings refuse.

Candles, Soap, Oils Fats, Waxes, Gums and Resins

520. Gasoline, naphtha, and benzine, mineral (inc. similar motor fuels, n.o.p.f.), in case or 2 tins, each of 18.93 litres or 5 American gall in bulk.
532. Kerosene (inc. other mineral oils for illuminating with specific gravity from 0.78 to 0.90 in case of 2 tins each of 18.93 litres or 5 American gall in bulk.

Books, Maps, Paper and Wood Pulp

545. Paper books, coated or uncoated, line or unlined, white or coloured, glazed or unglazed, plain or embossed. Ivory board, Chrome board, Bristol board made wholly or partly of chemical pulp; boxboard, leather board manilla board, jacquard or silk board (chipboard) wood-pulp board, duplex or triplex (inc. paste boards of all kinds), straw-board, plain.

546. Paper, cigarette on bobbins or rolls, (inc. weight of bobbin or roll) others.
547. Paper, coated and/or enamelled on one or both sides, white or coloured (inc. coated art printing paper.
549. Paper, drawing, document banknote, and document bond.
550. Paper, glazed either flint friction, marbled, or designed, plain or embossed, white or colored.
554. Paper, parchment, pergamyn glascine, and grease-proof (inc. cellophane and similar transparent paper).
557. Wall-paper, and paper, embossed, metallic, or otherwise, decorated, n.o.p.f.

Animal Substances, Raw and Prepared and Manufactures Thereof

566. Manufactures of leather, n.o.p.f. (inc. boots, shoes, purses, etc.)
567. Skins (furs), undressed, dressed and/or dyed
568. Articles made wholly or chiefly of skins (furs n.o.p.f.).
572. Feathers and manufactures thereof, n.o.p.f. feathers for decoration, others: manufactures made wholly or partly of feathers n.o.p.f.
573. Hair, and manufactures thereof, n.o.p.f., horse, horsetails, others; manufactures of hair, n.o.p.f.
574. Horse and manufactures thereof, n.o.p.f., buffalo and cow, deer, deer old and young, rhinoceros and antelope, other, manufactures of horns, n.o.p.f.
576. Manure, animal.
579. Tusks, animal teeth, and manufactures thereof n.o.p.f. elephant's tusks, whole or parts of; tusks and animal teeth, other manufactures of tusks and animal teeth, n.o.p.f.

Timber, Wood, Bamboos, Rattans, Straw and Manufactures Thereof

599. Teakwood (beams, planks, logs.)
592. Bamboos and manufactures thereof, n.o.p.f. canes, bamboo, others (inc. bamboo split or skin, etc.). manufactures of bamboo, n.o.p.f.
593. Coir and manufactures thereof, n.o.p.f., raw, fibre and yarn, rope, mats, door, matting, 92 cm by 92 m. roll of 92 m; manufacturers of coir n.o.p.f.
595. Mats for packing purposes (inc. dunnage mats).
596. Mats n.o.p.f., fancy, Formosa grass (bed); rattan; rush; straw; tatami; others.
598. Rattans, and manufactures thereof n.o.p.f., rattan, core or whole, rattan, skin and fibre, rattan split; manufactures of rattan, n.o.p.f.
601. Woodware of all kinds and other manufactures of wood, n.o.p.f. casks, barrels, packing cases, or other ordinary containers for cargo; corks; furniture; machinery (whole or in parts); sandal, dust; scale sticks; Shavings (for match manufacturing); (inc. plywood); others.
     Shooks for making casks and cases; splints (for match manufacturing); wood shavings (Hinoki); wood veneer.

Chinaware, Enamelled Ware, Glass, etc.

603. Chinaware (not inc. chemical and other scientific chinaware).
609. Enamelled ironware; basins, bowls, cups, mugs; not over 11 cm. in diameter 11 cb to 22 cm; 22 cm to 36 cm; others.
610. Glass, plate, silvered; Less than 1/10 sq. m. each (unbevelled), not over ½ sq. m. each unbevelled; Over ½ sq. m. each bevelled, unbevelled.
612. Glass, plate, or sheet, n.o.p.f.
614. Glass, window, colored, stained.
615. Glassware (not inc. chemical and other scientific glassware).
617. Opera glasses and eyeglasses, complete and parts thereof.

Miscellaneous

626. Mirrors.
627. Amber, coral, tortoiseshell and manufactures thereof, n.o.p.f. manufactures, others.
633. Curios and antiques.
634. Damascene ware, Satsuma ware, and laquer ware.
635. Decorative or ornamental materials or products, n.o.p.f. (inc. spangle, tinsel and tinsel wire, metallic trimmings, etc.)
638. Fans, palm-leaf, paper or cotton, others.
641. Gramophones, phonographs, and other talking machines, and parts and accessories thereof.
645. Jewellery and ornaments, n.o.p.f.
650. Manicure sets and parts thereof, powder puffs and cases, and vanity cases.
652. Musical instruments, complete, parts and accessories, organ reeds, ivory key boards, others.
655. Perfumery, cosmetics, shaving soap, face cream, tooth paste, talcum or other toilet powder, hair tonic, and all other preparations for the hair, mouth, teeth or skin.
658. Precious and semi-precious stones, real or imitation (inc. jade stone, cornelian stone, etc.) and manufactures thereof; uncut and unpolished, jade stone, others.
666. Tobacconists' sundries.
667. Toilet equipments (such as combs, brushes, etc.)
669. Trunks, suit-cases, satchels, card cases, jewel cases, portfolios, and traveling bags or boxes of all kinds.
671. Works of art, such as pictures, etching and engravings, paintings, drawings, statuary, sculptures, and/or copies, replicas, as reproductions thereof.

The following table gives the quotations in the black market during the month of August:

August	1	3.09375d.	5.1875
,,	2	3.09375d.	5.21875
,,	4	3.109375d.	5.21875
,,	5	3.0625d.	5.125
,,	6	3.046875d.	5.09375
,,	7	3.015625d.	5.03125
,,	8	2.84375d.	4.8125
,,	9	2.84375d.	4.78125
,,	11	2.84375d.	4.78125
,,	12	2.9375d.	4.9375
,,	13	2.921875d.	4.90625
,,	14	2.890625d.	4.84375
,,	15	2.875d.	4.8125
,,	16	2.84375d.	4.78125
,,	18	3.03125d.	5.03125
,,	19	2.96875d.	4.8125
,,	20	2.96875d.	4.84375
,,	21	2.8125d.	4.625
,,	22	2.8125d.	4.6875
,,	23	2.78125d,	4.6875
,,	25	2.875d.	4.875.

,,	26	2.90625d.	4.875
,,	27	Holiday	
,,	28	2.875d.	4.84375
,,	29	2.890625d.	4.875
,,	30	2.9375d.	5.00

COMMODITIES

Prices of commodities increased in August following the freezing of Chinese and Japanese credits because of the general belief that no goods would be imported or at least very small quantities could be imported.

(1) *The Rice Market*: The rice market was rather active in the month of August. Total turnover in the month was 356,000 bags and 17,800 tons as against 427,000 bags and 29,300 tons for July. Several times have the speculators tried to push up the prices of rice because of the tense situation in the South regarding Thailand. Prices did increase when the Shanghai Municipal Council decided to increase the price of rice which they imported from $110 to $124. However, in the latter part of the month when the Currency Stabilization Board started to supply foreign exchange at the fixed rate of 5.3125, the S.M.C. reduced the price to $120 per 80 kilo. Prices as a whole dropped by the end of August. The following table gives the total turnover of rice in the local market during the month of August:

		Total Turnover			
August	1	13,000	bags and	700	tons
,,	2	27,000	,,	1,200	,,
,,	4	10,000	,,	500	,,
,,	5	8,000	,,	700	,,
,,	6	20,000	,,	600	,,
,,	7	26,000	,,	1,400	,,
,,	8	24,000	,,	1,000	,,
,,	9	20,000	,,	1,100	,,
,,	11	10,000	,,	500	,,
,,	12	10,000	,,	400	,,
,,	13	Holiday			
,,	14	10,000	,,	800	,,
,,	15	15,000	,,	700	,,
,,	16	20,000	,,	1,000	,,
,,	18	7,000	,,	600	,,
,,	19	20,000	,,	500	,,
,,	20	16,000	,,	500	,,
,,	21	10,000	,,	1,000	,,
,,	22	16,000	,,	1,000	,,
,,	23	7,000	,,	400	,,
,,	25	15,000	,,	600	,,
,,	26	10,000	,,	800	,,
,,	27	Holiday			
,,	28	25,000	,,	1,000	,,
,,	29	10,000	,,	300	,,
,,	30	7,000	,,	500	,,
Total		356,000	bags.	17,800	tons.

Prices of rice during the month are given below:

	Aug. 5	Aug. 15	Aug. 25
First grade Saigon rice	$131.80	$135.00	$134.00
Second grade Saigon rice	124.00	126.00	121.50
Mixed broken rice	93.00	95.00	93.50
Wusih rice	145.00	154.00	149.00
Choupu rice	156.00	157.00	154.00
Chinkoo rice	151.00	152.00	151.00
Nankong rice	151.00	152.50	152.00

(2) *The Cotton Market*: Prices of cotton in Shanghai during the month of August witnessed a heavy increase as speculators have bought large quantities for hoarding purposes. Total turnover for the month was 184,459 piculs as against 225,880 piculs for July. Of the total, 22,751 piculs were Chinese native cotton and 161,708 piculs were foreign cotton as shown in the following table:

	Chinese cotton	Foreign cotton	Total turnover
Week ending August 2	8,243	20,827	29,070
Week ending August 9	5,070	32,255	37,325
Week ending August 16	5,365	53,802	59,167
Week ending August 23	4,073	54,824	58,897
	22,751	161,708	184,459

Prices of cotton on August 5, 15 and 25 are given below to show the rapid increase during the month:

	August 5	August 15	August 25
U.S. Middling	$555.00	$667.00	$784.00
Brazilian	514.00	612.00	710.00
Rangoon	278.00	299.00	339.00
Hooche	250.00	256.00	——

(3) *The Cotton Yarn Market*: The cotton yarn market was very active during August. Total turnover in the old cotton goods exchange totaled 145,735 bales and in the new exchange 374,420 bales as against 110,400 bales and 340,000 bales respectively for July, as shown in the following table:

	Old Exchange bales	New Exchange bales
From August 1 to 7	35,310	64,100
From August 8 to 14	27,625	68,100
From August 15 to 21	31,725	106,380
From 22 to 30	51,075	135,840
Total	145,735	374,420

As cotton, prices of cotton yarn increased much in August because of large demands by speculators. Price of 20's Double Horse increased from that of $1,573 on August 5 to $1,703 on August 25, an increase of $130. Price of 20's Double Globe increased from that of $1,390 on August 5 to that of $1,660 on August 25. Price of 10's Boy Scout increased from $1,100 on August 15 to $1,228 on August 25.

	Aug. 5	Aug. 15	Aug. 25
42's Heavenly Girl	$3200	—	—
42's Three Stars	3270	—	—
42's Cat & Butterfly	—	$3648	$4080
40's Heavenly Girl	2745	—	—
40's Kincheng	—	3200	—
32's Precious Golden Star	2285	—	3040
32's Heavenly Girl	—	2520	—
32's Kincheng	—	—	3055
20's Double Horse	1573	1646	1703
20's Heavenly Girl	1415	1526	1680
20's Double Globe	1390	1520	1660
20's Five sons	—	—	1615
10's Golden Tiger	945	—	—
10's Boy Scout	—	1100	1228
10's Double Globe	—	1035	1125

(4) *The Cotton Cloth Market*: Total turnover in the cotton cloth market in August was 17,255 bales, of which the local dealers took 7,950 bales, the Chekiang merchants took 575 bales, the Kwantung-Hongkong merchants took 5,400 bales, the South Seas merchants took 2,300 bales, Yunnan merchants took 500 bales and the North China merchants took 530 bales as shown in the following table:

	1 Week	2 Week	3 Week	4 Week	Total
Local speculators	1050	1800	2400	2700	7950
Chekiang merchants	140	50	135	250	575
Kwangtung-Hongkong ..	800	1500	800	2300	5400
South Seas merchants ..	400	500	300	1000	2300
Yunnan merchants	—	500	—	—	500
North China merchants	100	100	130	200	530
	2490	4550	3765	6450	17255

Prices of cotton cloth increased also as can be seen from the following list:

	Aug. 5	Aug. 15	Aug. 25
16 lb. Butterfly	$54.50	$57.25	$61.50
16 lb. Double Elephant	53.50	56.50	61.50
16 lb. Globe	51.00	—	57.50
16 lb. Fei Hung	50.50	52.50	56.00
12 lb. Ta Pung	47.50	49.50	54.50
12 lb. Fu Kwei	46.00	48.25	53.50
12 lb. Chen Chung	43.50	45.00	—
12 lb. Dragon Head	52.75	54.25	58.00
12 lb. Flying Fish	51.70	—	—
12 lb. Ball	51.30	54.25	57.75

LIVING COSTS

The cost of living during August rose 10.65 per cent over July, according to the figures compiled by the Industrial Section of the Shanghai Municipal Council. The weakening of the foreign exchange rates and the situation ruling in the Far East had the effect of raising the prices of commodities. The following table gives the index figures:

	1936	1941		
		June	July	August
Food	100.00	818.33	869.43	978.96
House Rent	100.00	642.42	668.18	694.21
Clothing	100.00	555.64	579.10	626.41
Miscellaneous	100.00	694.68	717.60	802.76
General Index	100.00	757.96	800.32	885.55
Purchasing Power of dollar	100.00	13.19	12.50	11.29

Unit prices of commodities used by certain employers as a basis of allowances to employees are published for their use each Friday morning by the Industrial and Social Division of the Shanghai Municipal Council.

Due to the approach of the end of the month, prices ruling on Monday, August 25, are given instead of, as usual, prices on Friday. Average prices for the calendar month are also given:

Commodities	Unit	Aver. Prices Aug. 25 1941	Aver. Prices for calendar mth. Aug. 1941
Non-glutinous rice (Kan Mee) First grade ...	Shih shih	$153.00	$153.08
Second grade	Shih shih	147.33	146.23
Saigon rice			
Best quality	Shih shih	131.60	130.71
Second grade	Shih shih	124.80	124.28
Rangoon rice	Shih shih	120.00	118.99
Glutinous rice (Noo Mee)	Shih shih	125.00	124.53
Wheat flour (Bicycle) ..	49 lb. net	35.075	34.831
Chin-ts'ai	Shih chin	.380	.274
Yellow bean sphouts	Shih chin	.260	.243
Fresh pork	Shih chin	3.000	2.588
Fresh fish	Shih chin	1.030	.957
Soy bean oil	Shih chin	2.183	2.161
Soy bean sauce	Shih chin	.573	.552
Coal briquettes	100 Shih chin	17,075	16.527
Grey shirtings	Shih ch'ih	.633	.603

British and American Stakes in Shanghai

(Continued from Page 25)

Some observers hold the recent sale of the Sassoon buildings (the Hamilton House, the Embankment Building and two others) as definite signs of a general retreat of British interests from Shanghai. However, such transactions should be regarded as pure business deals accelerated by the current real estate boom due to the unnatural war-time prosperity in Shanghai. There is no political significance behind these deals as in case of the sale of the Glen Line building at the corner of the Bund and Peking Road and the Lee Building on Avenue Edward VII. In their wishful thinking, these British *taipans* who have no alternative but to stay in Shanghai believe that even in the event of a Pacific war, the city may become a second Lisbon, enjoying continued foreign trade with the assent or agreement of the belligerents. In short, Shanghai British firms will remain in the city and do what they can under the prevailing situation.

Though different in view, namely realistic and idealistic, British and American firms take the common stand that they will not give up Shanghai. British and American interests which have a great political significance behind them will not retreat from Shanghai unless they are forced to when the worst situation develops in the Pacific.

West China's Industrial Production

IN West China's industrial production textiles took first place in 1940 with $1,763,000,000 and chemicals second with $1,438,000,000. Gold came third, and electric appliances fourth, followed by minerals. The details are given below:

Textiles	$1,763,000,000
Chemicals	1,438,000,000
Gold	280,000,000
Electric Appliances	181,000,000
Tin	160,000,000
Iron and Steel	127,000,000
Coal	114,000,000
Power	99,000,000
Machines	67,000,000
Tungsten	65,000,000
Food Products	39,000,000
Antimony	10,000,000
Mercury	5,000,000
Copper	1,200,000
Other metals	2,500,000
Miscellaneous	342,000,000
Total	$4,693,700,000

The two fundamental objectives of economic reconstruction in wartime China are the increase in the manufacture of war materials, export articles, and daily necessities and the development of basic industries and mining. With these objectives in view, the Ministry of Economic Affairs in Chungking since its organization in January, 1938, has exerted its utmost effort to establish important industrial and mining enterprises with government capital and to assist private concerns to move from war areas to the interior. At the same time, private investments in productive enterprise have been encouraged. The economic policy of the Government during the war, therefore, aims not merely at meeting the exigencies of the moment but also at building up an industrial base for the postwar period.

Government industrial and mining enterprises are mainly operated by the Ministry's National Resources Commission according to program. Up to the present, the commission has established 71 "units" in interior China, 29 in industry, 22 in mining, and 20 in electrical engineering. Preference is given to mechanical, chemical, smelting, and electric appliance industries. In mining, priority goes to mines important to national defense, such as coal, iron, petroleum, copper, and those producing minerals for China's barter trade with foreign countries, like antimony, tin, mercury and tungsten. Hydraulic power is used where possible to supply the new industries with current. It has been estimated that Szechwan rivers alone have a potential power of 29,500,000 kilowatts. To increase gold production, the ministry has organized the Gold Mining Administration.

Up to the end of 1940, factories removed to the interior through government encouragement numbered 450, and their equipment weighed 116,375 tons, detailed below. The government also paid for the traveling expenses of 12,000 skilled workers to the interior. In addition, some 30,000 workers were moved inland through the assistance of other organs.

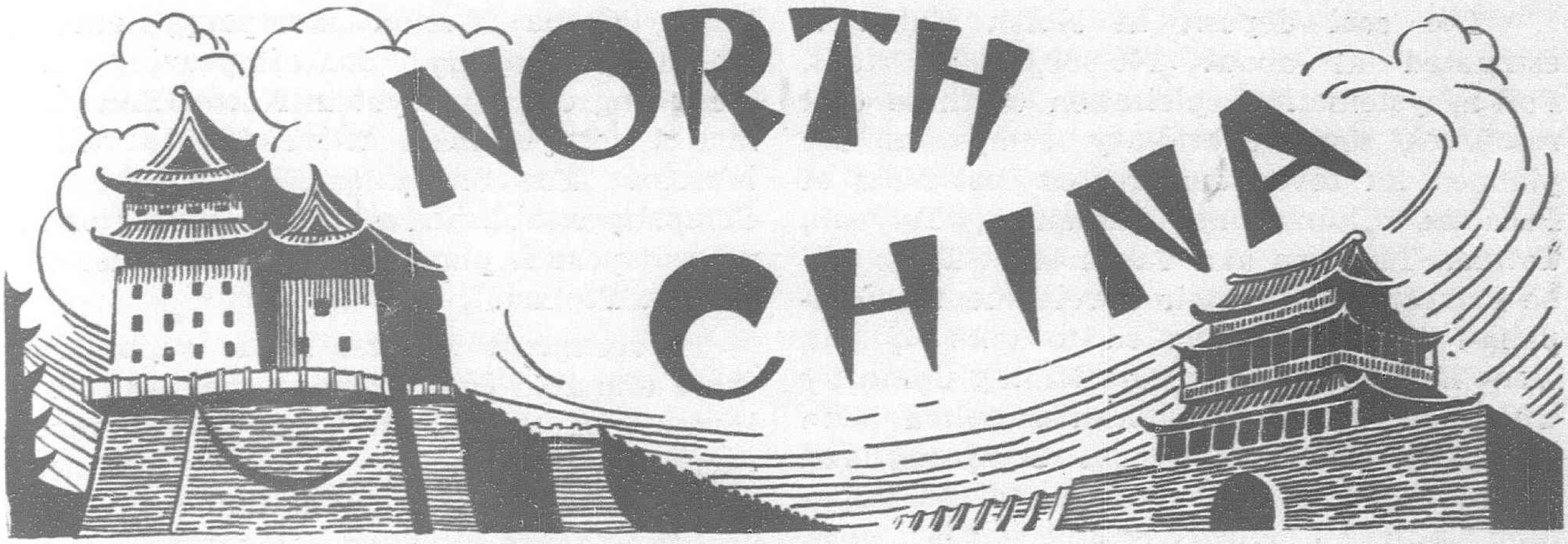
Industry	Tons
Iron and Steel	37,242
Spinning and Weaving	32,116
Mechanical	18,587
Chemical	9,756
Coal	7,457
Miscellaneous	5,842
Power	5,375
Total	116,375

In the past four years, fifteen new industrial bases have been established in the west. At the end of 1940, factories in these bases with over $10,000 capital and over 30 workers, which employed power, numbered 1,354, classified as follows:

Industry	No. of Plants
Mechanical	312
Mining and Metallurgical	93
Electrical	47
Chemical	361
Textile	282
Miscellaneous	259
Total	1,354

Industry In Hongkong

The industrial development of Hongkong is reported continuing with an average of 20 factories and workshops being registered each month. According to the U.S. department of commerce, establishment of factories formerly housed in China is one reason for the growth of the colony's industry. As evidence of the colony's continued growth, a recent census indicated the total number of people in Hongkong and Kowloon to be 1,500,000, a 100 per cent population increase during the last decade.



North China Development Company

IN North China, considerable economic development has been brought about by the North China Development Company in recent years. A detailed review of present investments, activities and plans of this semi-official concern is given in a special article of the Oriental Economist, well-known Japanese economic monthly. The following is condensed from the Oriental Economist:

Great importance is accorded to the development of transportation, communication and harbor enterprises, as their establishment is a *sine qua non* in the program for increasing production of coal, iron ore, cotton wool, salt and other abundant resources of the district.

Construction and improvement of railways, as well as those of motor bus service and canal transportation, have been placed under the integrated control of the North China Transportation Company. The company succeeded to the operation and construction of railway lines formerly carried on by the Peking Office of the South Manchuria Railway Company. Various new lines have also been constructed since the China incident. At present railroad lines under its management total about 6,000 kilometers. In automotive transportation, it purchased the North China Motorbus Co., Limited, an affiliate of the South Manchuria Railway Company, and is presently engaged in absorbing Chinese bus lines. At present, the total bus line reaches 12,000 kilometers. The canal lines total 3,721 kilometers.

In the field of harbor construction, the North China New Ports Temporary Construction Office, an independent bureau of the South Manchuria Railway Company, is rushing the expansion of the Taku harbor while the work of improving Tsingtao harbor is in the hands of the Tsingtao Wharf Company. The North China Development Company is supplying funds to these enterprises.

The operation of communication enterprises, with the exception of radio broadcasting, is monopolized by the North China Telegraph and Telephone Company. In Inner Mongolia, communication enterprises are entirely under the unified operation by the Inner Mongolia Electric Communication Equipment Company, a joint Japanese-Mongolian company with a capital of Yen 12,000,000, with which the North China Development Company has, at present, no financial relation.

The subsidiary electrical companies of the North China Development Company have been established in North China and Inner Mongolia. They have taken in the enterprises of the Chunghsing Company. In Shantung the Tsinan Electric Company and the Chefoo Electric Company have been organized as subsidiaries while the relation with the Chiaokiao Electric Company is maintained by supplying funds to it. Electrification in North China is still not fully developed because of the small demand for electric power, nonintegrated control of numerous small steam power houses, diversity of standards and poor equipment. These were all unified by the Inner Mongolia and North China Electric Companies with a view to standardization, expansion of steam power houses and establishment of transmission systems. At present, the generating facilities in North China are entirely based on steam. In consideration of future demand for electric power due to industrial progress large scale hydraulic generation at Luanho and Yungtingho Rivers as well as the development of the Yellow River are now being made.

The coal deposit in North China is estimated at about 140,000,000,000 tons. For a systematic exploitation of these coal resources, seven subsidiary companies are planned for seven demarcated coal blocs of Paoshan, Chunghsing, Tsinghing, Taiyuan, Tatung, Tzuhsien and Tawenkou. They will be entrusted with their development. Companies already designated to take up the work include the Shantung Mining Company which has previously been supplied with funds by the Development Company, and the Tatung Mining Company and the Tsinghing Colliery Company established last year. Coal mines of Chunghsing, Tzuhsien, Taiyuan, and Tawenkou are now operated under the association system under the joint investment by the North China Development Company and Japanese coal mining companies as these mines, for various reasons, are still under military control. For the purpose of controlling coal sales, the North China Coal Sales Company was established last autumn as an affiliate of the North China Development Company. At present, the sales company is taking over the business of the coal department of the Chunghsing company. In Inner Mongolia also an affiliated company has been formed for the smooth distribution of coal.

The iron ore deposit in North China is estimated at about 300,000,000 tons. The Lungyen iron mine in Inner Mongolia is the largest deposit followed by the Kinlingchen mine in Shantung province. Then in Shansi province there are numerous iron deposits. With the establishment of the Lungyen Iron Mining Company, most of the iron ores produced there is now being shipped to Japan. The Kinling Iron Mining Company is shortly to commence the mining operation in the iron mine owned by the Luta company, in cooperation with Japan Steel Tubing Company. Various iron mines in Shansi province are now entrusted to the joint operation of the North China Development Company and the Okura Mining Company.

The North China sea coast from Bay of Pecheli to the south of the Shantung peninsula is the greatest natural salt producing area in the world. The North China Salt Company was established for increasing the production of Changlo salt and supplying the salt needs of Japan, as the shipment of distant sea salt is now interrupted. The Company is now engaged in reclaiming devasted salt fields, improving existing fields, and developing new ones. Besides those above mentioned, there is also the North China Cotton Company, another affiliated company, for improving and increasing cotton output in North China, but it has not yet been active due to various reasons. The Shantung Electric Chemical Company established at the beginning of the present year is planning to manufacture carbide at Poshan.

Investments in and funds supplied to those affiliated companies are the sources of revenue of the North China Development Company, but the revenue from investments is not yet as satisfactory as that from loans, as out of those affiliated companies, five are paying dividends as low as five or six percent. Affiliated companies are urged to plow back their profits and utilize them as possible in developing their respective enterprises. Therefore, though the number of companies paying dividends on investment may increase, it is difficult to expect six percent dividend as made by private companies, based on their own earnings.

In view of the mission and nature of the North China Development Company, its business results, therefore, cannot be compared with those of general business companies.

Business Results of North China Development Company

(In Yen 1,000)

	1940 (Jan. to Mar.)	1940 fiscal year (April, 1940 to Mar., 1941)	1939 fiscal year
Revenue:			
Investment revenue	820	980	——
Fund supply revenue	4112	10,143	2,818
Interest received	46	160	367
Miscellaneous revenue	4	131	831
Government subsidy	1,367	6,199	2,133
Subsidy for investigations	868	691	——
Total	7,218	18,303	6,150
Expenditure:			
Operating expense	1,543	4,882	2,551
Interests paid	3,900	9,219	1,346
Various redemption	170	565	64
Investigation expenses ...	868	691	——
Total	6,480	15,356	3,961
Balance:			
Profit	737	2,947	2,189
Dividend rate	6%	6%	4.5%

(No Dividend Paid to Shares Held by the Government)

The immediate problem confronting the company is the acquisition of capital within North China. The policy of raising funds jointly by Japan and China has been adopted but the cooperation from China in the existing enterprises has only been extended by the Government. To effect real Sino-Japanese cooperation, popular support of Chinese capital is necessary. The company is said to be considering the issue of debentures with a high interest rate of seven or eight percent or the issue of lottery tickets for securing the local fund. Yet as money interest is high in North China, it is quite doubtful whether debentures bearing seven or eight percent interest will be welcomed there.

Japanese Problems in the North

Despite these efforts of the company to develop North China provinces, many problems are confronting the Japanese residents as described in a special article of the Oriental Economist. According to the article, the first conference of the representatives of the Japanese Residents, institutions and individuals in North China was recently held in Peiping. The meeting was called by the Japanese Embassy in Peiping and was attended by representatives of the Japanese residents' corporations and associations in North China and Mengchiang (Inner Mongolia) and competent consular authorities who look after these bodies.

A clear vision of the great benefits which would follow the setting up of a new Japanese organization in North China was responsible for the convocation of the conference. Since the outbreak of the Sino-Japanese hostiltiies there has been a marked increase in the number of Japanese residents in North China with the result that the need has been keenly felt for the formation of a new Japanese organization, which would facilitate the increasing intercourse among the Japanese residents scattered throughout various parts of North China and Mengchiang, thereby enhancing their activities.

Prior to the outbreak of the Sino-Japanese hostilities, there were only three Japanese residents' corporations in China, namely in Shanghai, Tientsin and Tsingtao. The Japanese Residents' Corporation is not a mere voluntary assemblage of Japanese residents, but on the contrary it is a juridical entity under a Japanese law governing the Japanese residents' corporation in China. It is a public organization charged with the task of self-government under the supervision of the local Japanese consul. The corporation functions just as a municipality in Japan, having an assembly and a Council which are elected by Japanese residents. The residents' corporation act can be enforced only when the Japanese residents in a designated town in China exceed ten thousand in number.

In those towns, however, where the Japanese colony did not exceed ten thousand in number, in each case Japanese residents' associations were organized to take charge of municipal affairs among the resident Japanese, though these bodies were not incorporated as juridical entities. Both the Japanese residents' corporations and associations were of a local nature, however, having no interrelations among them. The census taken by the Japanese Embassy in Peiping in April last shows that the Japanese population in North China and Mongolian provinces nearly reaches 400,000, with residents' corporations and associations numbering 60, which include ten residents' corporations at Shanghai, Tsingtao, Tientsin, Peiping, Tsinan, Hsuchow, Shihmen, Taiyuan, Kalgan and Tatung and ten residents' associations which will shortly be elevated to the status of residents' corporations.

Unlike before the outbreak of the China affair, these Japanese residents are not permitted by circumstances to lead detached lives, but are compelled to keep in close touch with one another by means of railways, telegraph and other communication facilities. In other words, the Japanese economic influence has penetrated that much into the interior of China. For instance, prices of commodities prevailing in Tientsin are immediately reflected in Peiping, Kalgan, Paotow, Shihmen, Taiyuan and Kaifeng, while those in Tsingtao are likewise reflected immediately in Tsinan and Hsuchow. Merchants in Tientsin and Tsingtao have branch offices in the interior, while merchants in the interior in turn maintain their agencies in Tientsin and Tsingtao.

No wonder then that the Japanese residents' corporations could no longer be managed locally in a detached way. It is but natural that the demand has arisen for unity and liaison in the management of these corporations. During the deliberations at the first conference of the representatives, the prevailing opinion was that the chairman of the residents' corporation be nominated by the Government which has powers extended so as to determine the will of the corporation under its care and to exercise its executive powers. It was also urged that the corporation assembly be made an advsiory organ with its council abolished.

With regard to the election of the assembly, discussions centered on such questions as the comparative merit of the current system of the Government nominating one-half of the assembly members and the former one of the Japanese residents electing the entire assembly; the advisability of a certain percentage of nominations and elections not being fixed permanently but allowed to be changed so as to meet the requirements of the times, preference to elections with a small percentage of the assembly members being nominated by the Government, and the enfranchisement of resident women.

Taxation and determination of the rate of taxation by the residents' corporations then claimed attention of the conferees. Representatives from Peiping, Tientsin, Tsingtao, Taiyuan, Tatung and other towns submitted their detailed opinions on the basis of actual circumstances. A long spirited debate ensued especially on the brewery tax, levied by the Tsingtao Residents' Corporation, starting this year. The tax is unpopular among the consuming public, especially since brewery of sake rice-wine and beer is limited to Tsingtao and therefore the brewery tax, a consumption tax, levied by the Tsingtao body is borne by consumers in all of North China and Inner Mongolia. It is contended that payment of this consumption tax tends to militate against the taxpaying power of Japanese residents. Discussion also extended to a proposal to make a part of the taxes, now levied by the residents' corporations, a national tax and also take the form of monetary contributions from those business corporations, which are in substance Japanese corporations but which are exempted by the Chinese Government from taxation on account of a special charter granted by the latter.

The proposal for making a part of the taxes a direct national impost is designed to make the Government bear the bulk of the educational expenses of the residents' corporations in return. Inasmuch as from 70 percent to 80 percent of the revenue of the residents' corporations are at present appropriated toward educational expenses, it was pointed out that transfer of the proceeds of income and business taxes to the Government as direct national taxes by the residents' corporations would not represent any big financial contributions to the state, but that on the contrary the state would be forced to bear greater financial burden if the Government were requested to bear the greater part of the educational expenses. In the end, the opinion prevailed that instead a new taxation system should be worked out with due consideration being given to local circumstances. Reform of the taxation system as well as of the administrative machinery of the residents' corporations is to be worked out by the Japanese Embassy in Peiping on the basis of the deliberations at this conference of the representatives. Well-informed circles believe that the projected reform will be an epoch-making one.

No less keen were the discussions on the question of education, which is one of the most important and urgent questions before the Japanese Residents' Corporations and Associations in North China and Mongolia Provinces. Unlike other issues, opinion on this question was not divided among the conferees according to the localities they represented. The conferees were greatly heartened by the assurance given by a Foreign Office secretary sent to the Conference that the Foreign Office attaches great importance to the education of the Japanese children in China. The secretary went on to say:

"In guiding and supervising the operation of the Japanese residents' corporations in China, the Foreign Office has put emphasis on the education of the Japanese children resident in China. A successful solution of the question demands an adjustment of the administrative machinery of the Foreign Office, concerning which a plan was worked out last year. "The plan calls for the assignment of educational consuls, vice-consuls and chancellors as well as of educational inspectors to various parts of China. In the course of the current fiscal year (1941-2), twenty-two educational consuls, vice-consuls, chancellors and inspectators will be assigned to various parts of China, one-half of them to North China."

The credit situation in North China and Mongol provinces also came up for discussion before the conference. There are no popular credit institutions for the convenience of the Japanese residents with the exception of Peiping, Tsingtao and Tsinan. Following in the wake of the Japanese armies since the outbreak of hostilities with China, a large number of Japanese people have gone over to North China with small funds in their pockets. These people, however, are denied any chance of obtaining credit on their business foundation which they have built up with assiduity. This is the reason why the conferees raised a loud cry for establishment of popular credit institutions in these areas. In reply, the Economic Commissioner of the Japanese Embassy asked the conferees to file applications with the Embassy for permission to set up credit associations, accompanied with definite plans, in case the need was felt by the residents' corporations for forming such institutions. While announcing that the Embassy was conducting fundamental studies on the question, the Economic Commissioner promised the conferees that the Embassy would pay favorable consideration to any definite plan to be formulated by the residents' groups for amelioration of the credit situation in the region.

Last, but not least, important discussion centered on the proposed establishment of a central organ of the Japanese residents' corporations and associations throughout North China, a proposal which was unanimously approved. The conference nominated the residents' corporations in Peiping, Tientsin, Tsingtao, Kalgan and Taiyuan and the residents' association in Tangku as the preparatory committee for the organization of a federation of the Japanese residents' corporations and associations in North China. According to the arrangement the preparatory committee will work out a plan for the organization of the federation. When the plan is approved by the residents' corporations and associations, the projected federation will be set up as the central organ. When it is established, it is expected to play an important role in the guidance and supervision of the Japanese residents' corporations and association in North China, as counterpart of the Japanese Embassy in Peiping, so far as this particular line of business is concerned.

Kailan Mining Administration

Business conditions in North China of foreign firms can be best illustrated by those of the Kailan Coal Administration. According to the annual report of the company for the business year ending June 30, 1940, more coal was sold in the year but profits of the company dropped because of the abnormal situation of the present time.

The report states that the demand for Kaiping coal in the markets of Japan, North China, had Shanghai continued to increase, the sales rising to 5,803,000 metric tons, compared with 5,466,000 metric tons for the preceding year. In the current year, the sales for the nine months, July, 1940, to March, 1941, inclusive, were 4,575,669 metric tons, compared with 4,226,507 metric tons for the same period of the preceding year.

The outstanding feature of the year was the coming into operation of the double-unit coal washing and re-washing plant. The screening plant at Tongshan came into operation in December, 1939, and the washing plant at Linsi in the spring of 1940; so we shall have the benefit of this plant for the whole of the current year. Results of great importance to the business of the administration are expected to follow from this development. The general situation in the Far East continues to be dominated by the struggle between Japan and China, which we all deplore. Labor conditions during the past year in the area with which the Kailan Mining Administration is concerned are reported to have been uniformly peaceful except in one unimportant instance.

There has been a serious reduction in the net profit, compared with the year 1938-39, caused by the fall in exchange. On the other hand, there are increased demands for taxation, and there is consequently a reduction in the dividend.

The report states that this company's half-share of the net profit of the Kailan Mining Administration (which carries on business as a joint undertaking under an agreement dated June 1, 1912, and a supplemental agreement of August 10, 1934, between this company and the Lanchow Mining Company, Limited, of Tientsin), after making provision for one year's interest on the six percent Kailan bonds £33,840, redemption of bonds for the year £24,000, reserve for depreciation $2,303,280.00, and expenses of issue of debentures £1,725, amounts of £218,374 3s. 5d. This is a reduction of £119,515 compared with the preceding year, and is due to the heavy fall in the dollar, which as the report states, stood at 5½d. on June 30, 1939, and at 3⅛d. on June 30, 1940. Interest in Europe and other items bring up the total credit to £239,698 4s. 7d. Expenses in Europe amount to £18.186 9s. 4d. There has been an increase in expenses owing to the fact that the company's offices and the main part of the staff were removed to Brighton on the outbreak of the war in September, 1939, and had to be removed from there to Exeter in June, 1940. The net balance on the year is £221,511 15s. 3d.

The balance brought in from the preceding years account is £183,018 7s. 3d., together £404,530 2s. 6d.

On the debit side of the account we have reserve for excess profits tax £64,246 19s. and income-tax £101,073 15s. 2d., together £165,320 1s. 2d., which compares with £106,476 in the preceding year, an increase of £58,844. The directors' percentage of profits is £2,163 17s. The final balance carried to the balance-sheet is £237,045 11s. 4d. A dividend of 3¾ percent, free of income-tax (equivalent to 6.521 per cent., subject to tax at 8s. 6d. in the £) was declared on March 19, payable on March 31. This required £73,500, leaving the balance of £163,545 11s. 4d. to be carried forward to the current year; a reduction of £19,472 compared with the amount brought in.

As regards the prospects of the current year, that we have to face a serious further increase of taxation both in income-tax and in excess profits tax. The former will be at the rate of 10s. in the £, compared with 8s. 6d., and the latter will be at the rate of 100 per cent. for the whole of the year against 60 percent for nine months, and 100 percent for three months together 70 percent for the year 1939-40. The balance sheet requires little comment. The creditors on sundry accounts amounted to £32,982. Outstanding dividends and debenture bonds and interest totalled £55,985, inclusive of considerable accumulated arrears of dividend from the year 1912 Reserves for income-tax and excess profits tax, £104,875, are required to provide for the taxation up to June 30, 1940. The half-year's debenture interest falling due on July 1 was £16,560. The six percent Kailan bonds were reduced by the annual drawing of £24,000, leaving £552,000 in issue, the original issue having been £1,200,000.

On the other side the cash was £222,498, and bills receivable £24,934. Investments at cost in Government and local loans stood at £416,894. The market value of these investments, which was £371,625 at June 30, 1940, as appears from the note on the balance-sheet, has since risen to the extent of about £30,000.

Shanghai Cotton Industry In 1941

(Continued from Page 78)

part of the year. The following table gives the amount of cotton cloth exported to different countries:

Table 15: **Exports of Cotton Cloth**

To:	First Six months of 1940	First Six months or 1941
Hongkong	16,161	12,513
Philippines	2,086	5,157
Thailand	2,569	3,177
Singapore	1,691	2,121
Netherlands East Indies .	2,693	987
British India	7,990	1,273
Others	18,280	3,922
	51,470	29,150

In conclusion, it must be said that under present situation, cotton mills in Shanghai will have to curtail further their operation capacity because of the increasing difficulty to obtain sufficient electric power, raw materials and actual markets. Once, the local speculative market is stopped, prices of cotton, cotton yarn and cotton cloth will drop heavily as that of the other commodities. In the above study, no mention was made about the large daily turnover of the Shanghai Cotton Yarn Exchange and the Japanese Cotton Goods Exchange, in which forward trading on 20's "Double Horse" and 20's Phoenix" were transacted in large quantities.

The Soviet Ukraine: Its Resources, Industries, and Potentialities

(Continued from Page 41)

Conclusion: Incalculable Potentialities of Region

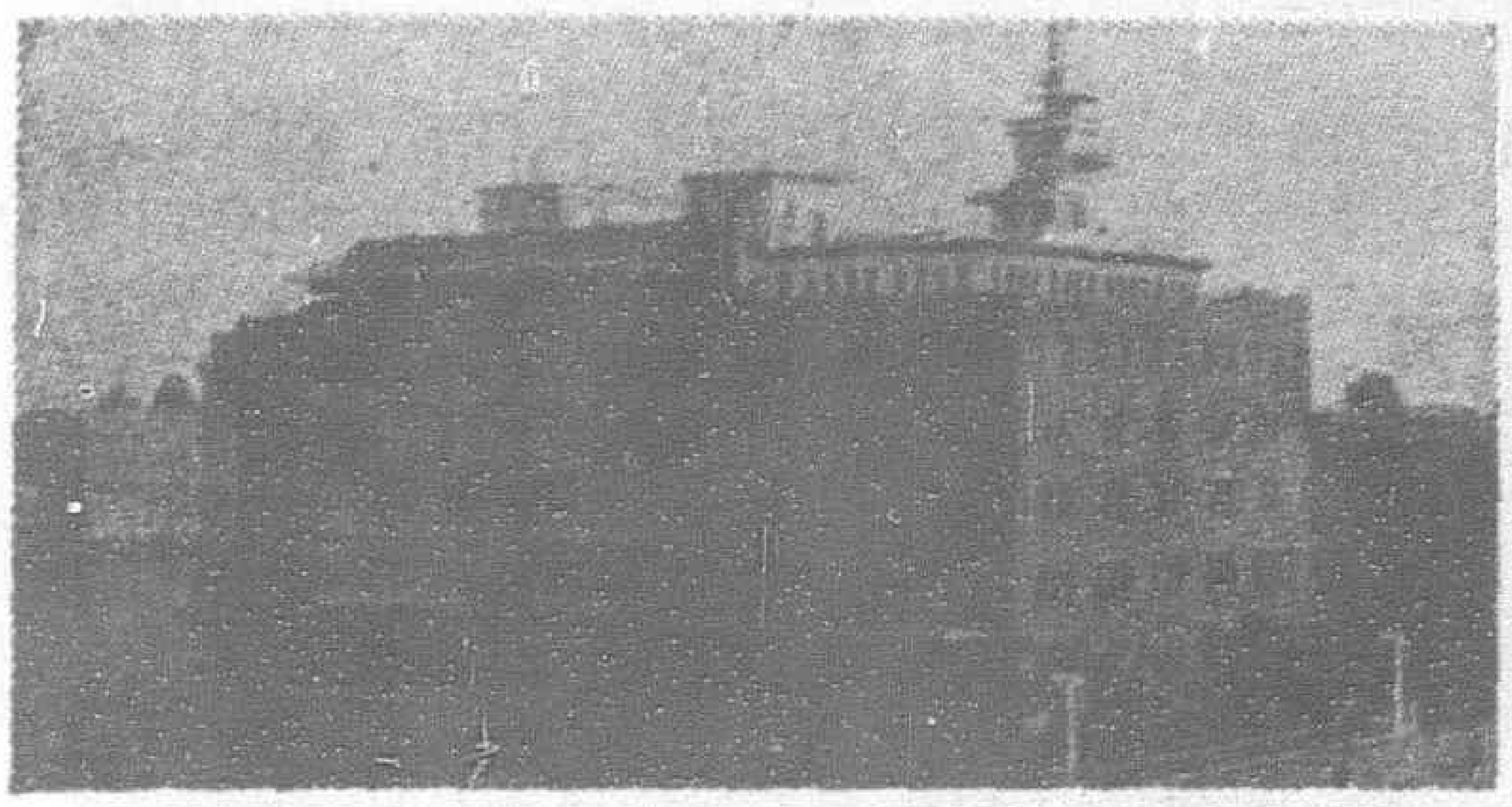
The Ukraine Soviet Socialist Republic is an extremely important factor in the Soviet domestic economy, and its loss would seriously hamper the industrial progress of the country, besides depriving it of foodstuffs and raw materials much needed by the population and the industries in other parts of European U. S. S. R.

Its people are perhaps the most prosperous of any section of the Soviet Union, and its potentialities for industrial expansion and agricultural progress are exceedingly great.

While autonomous in many respects from Moscow, there is a strong tie based on the advantages to both of cooperation in many spheres, including that of foreign relations, which are directed from Moscow but suppported by Kiev.

Hygiene In China

In order to promote the study of public hygiene, contagious diseases, etc., the Central China Railways Company will open a Public Welfare Science Institute in Shanghai on October 1.



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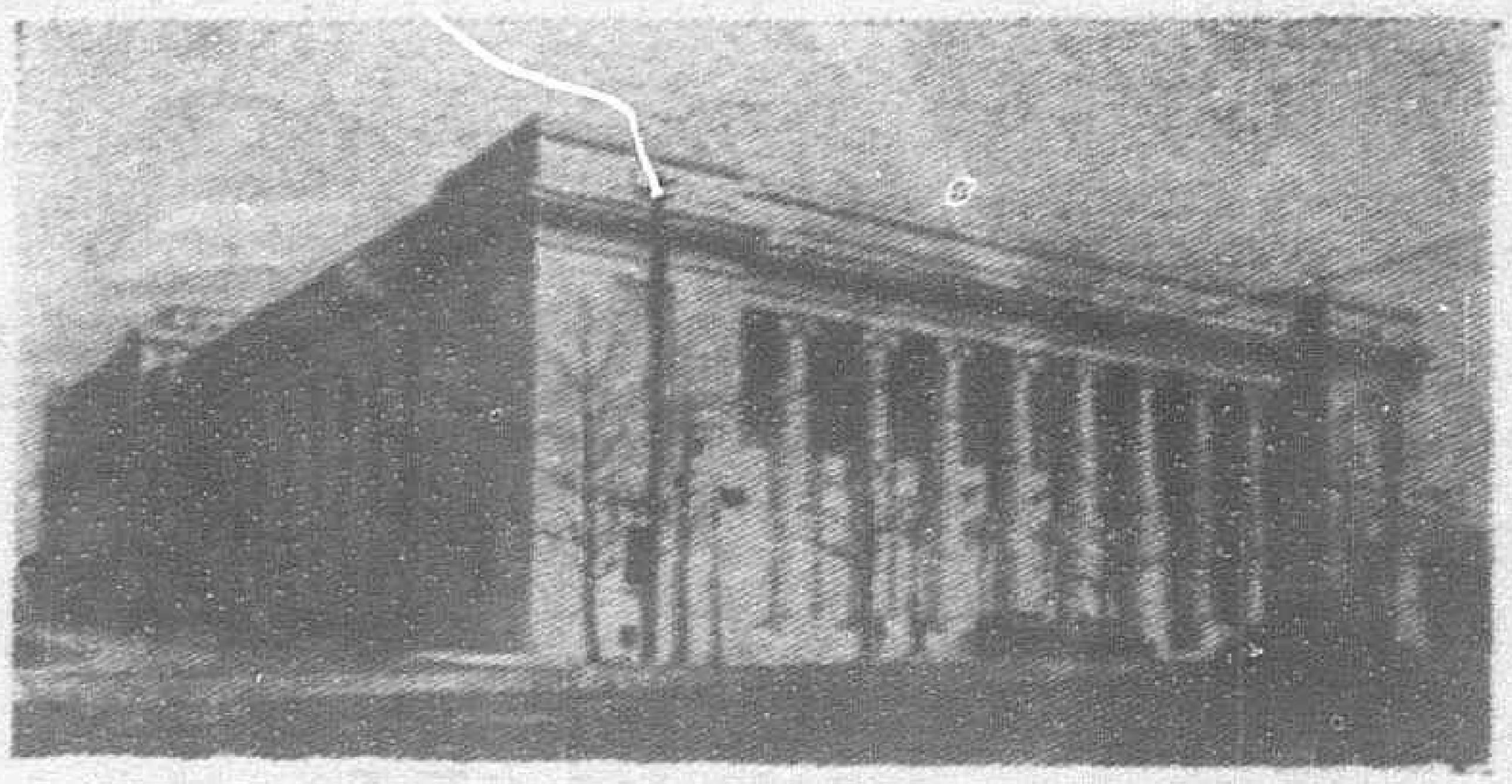

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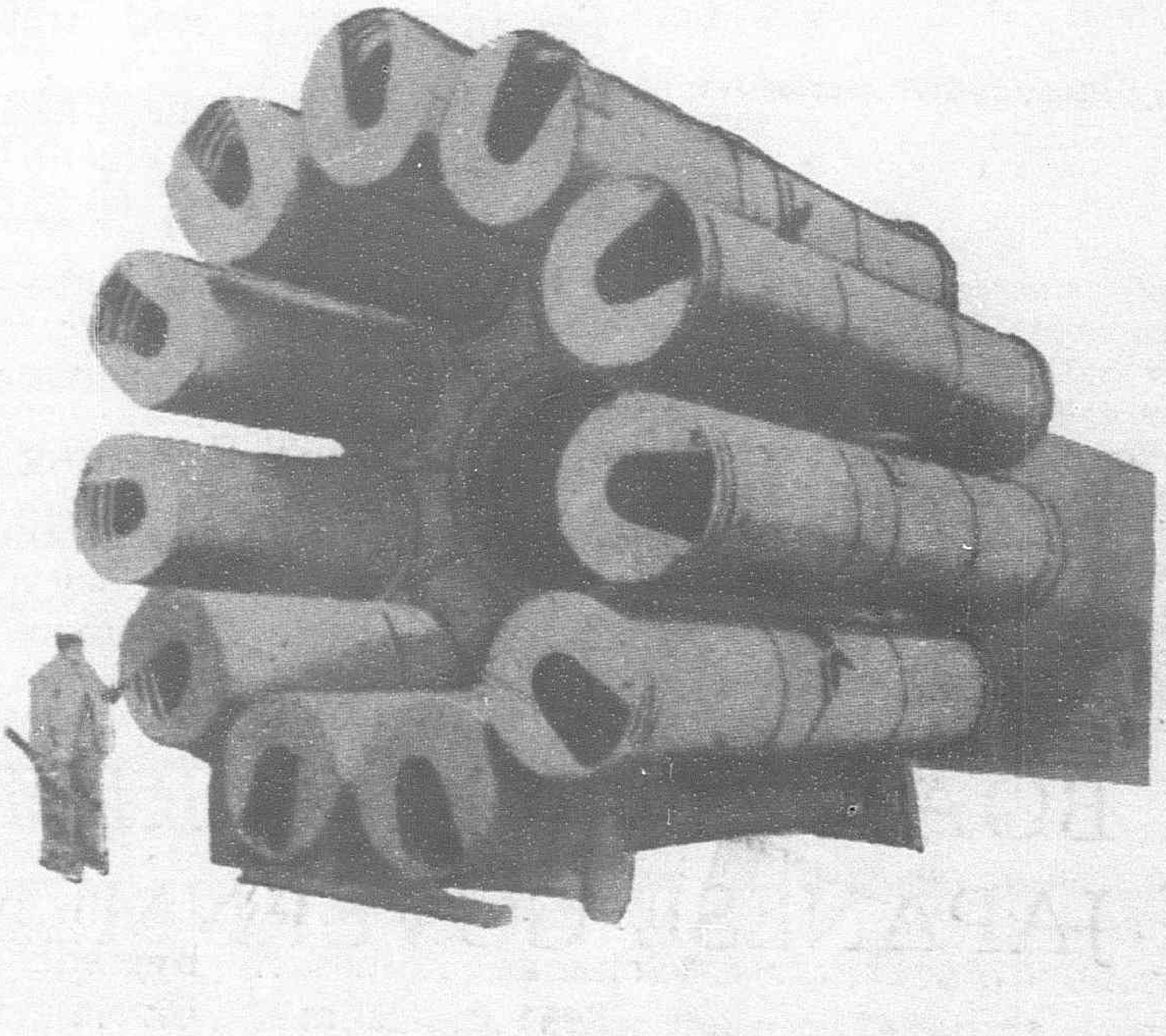

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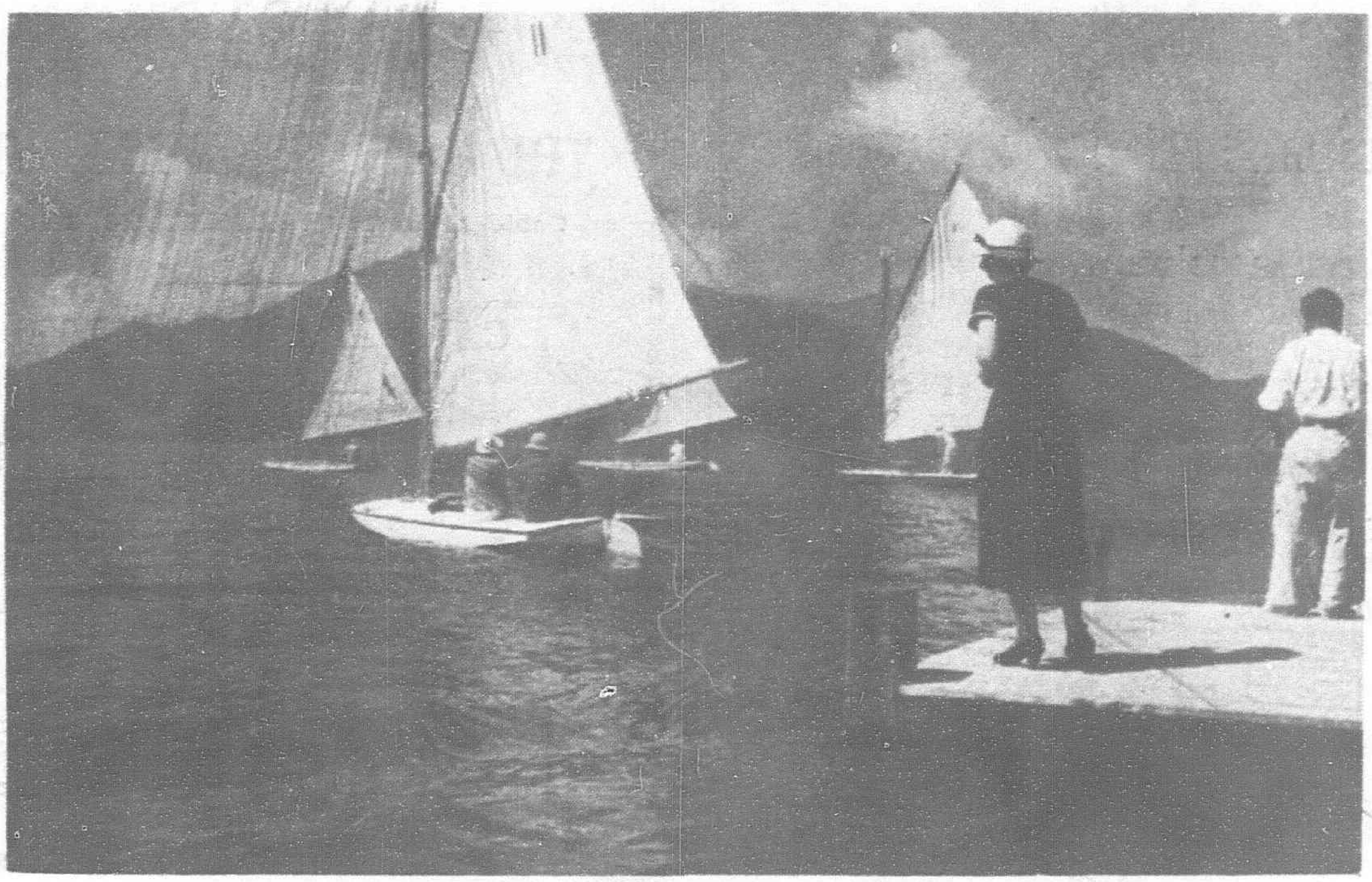

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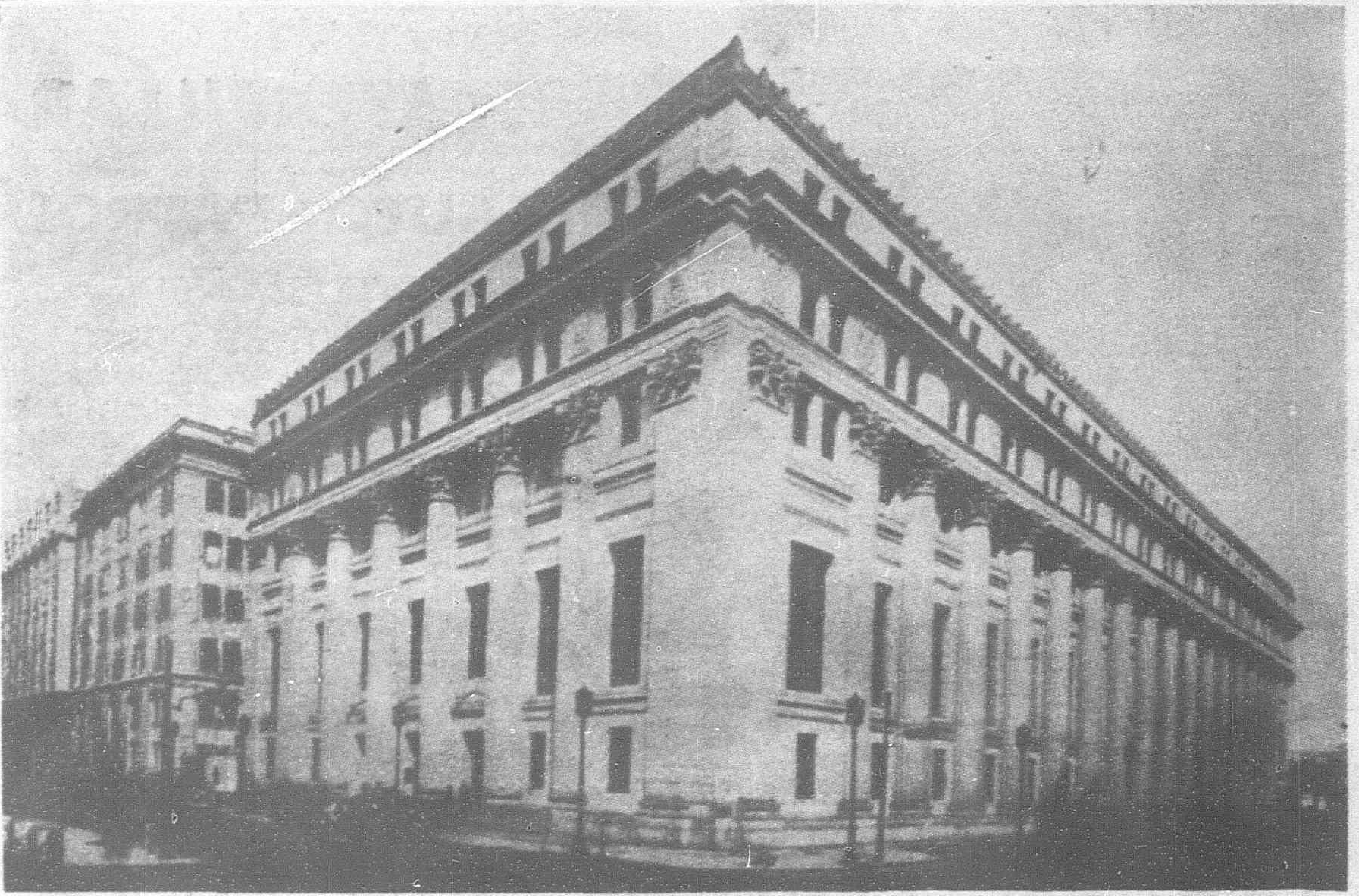

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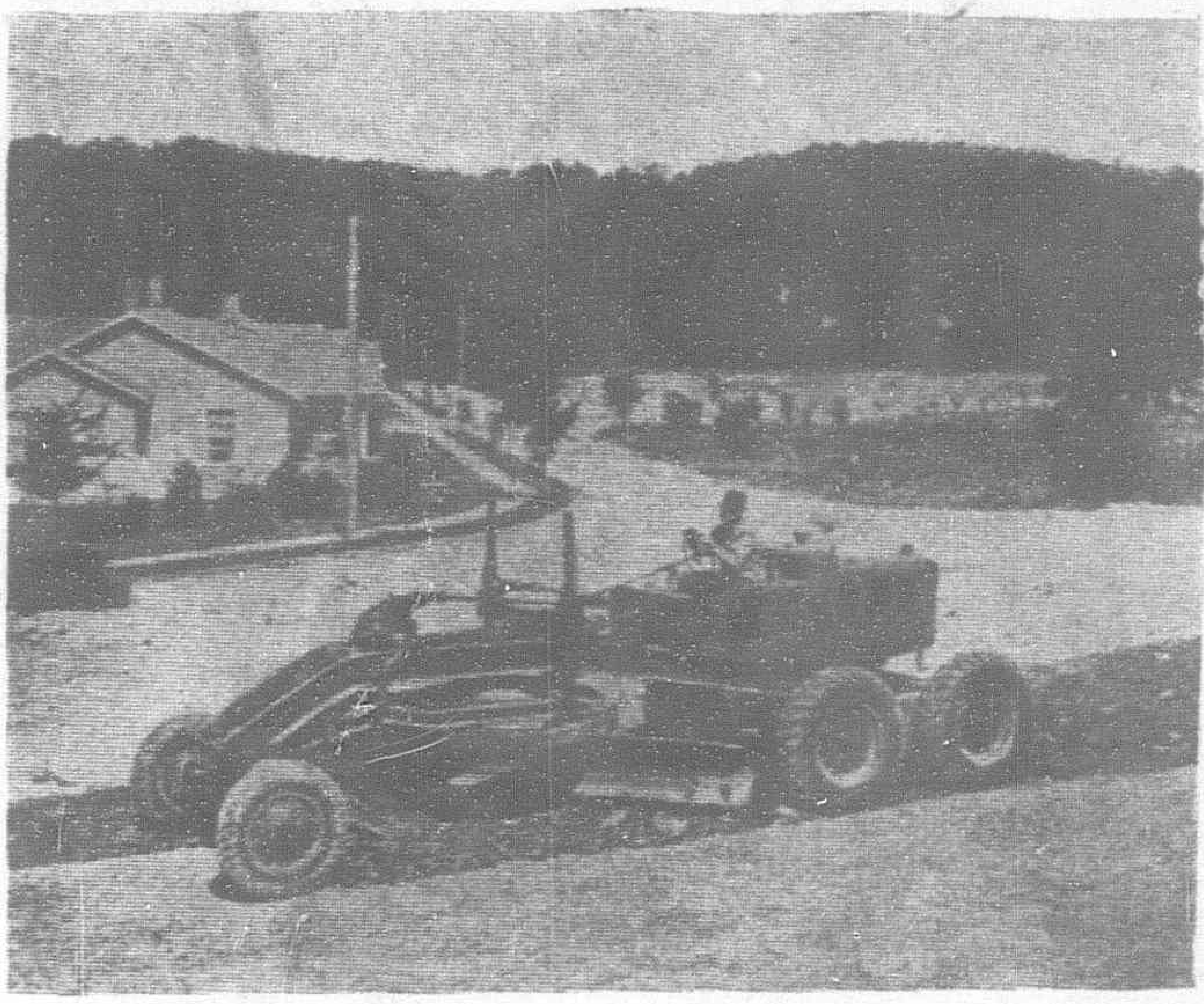

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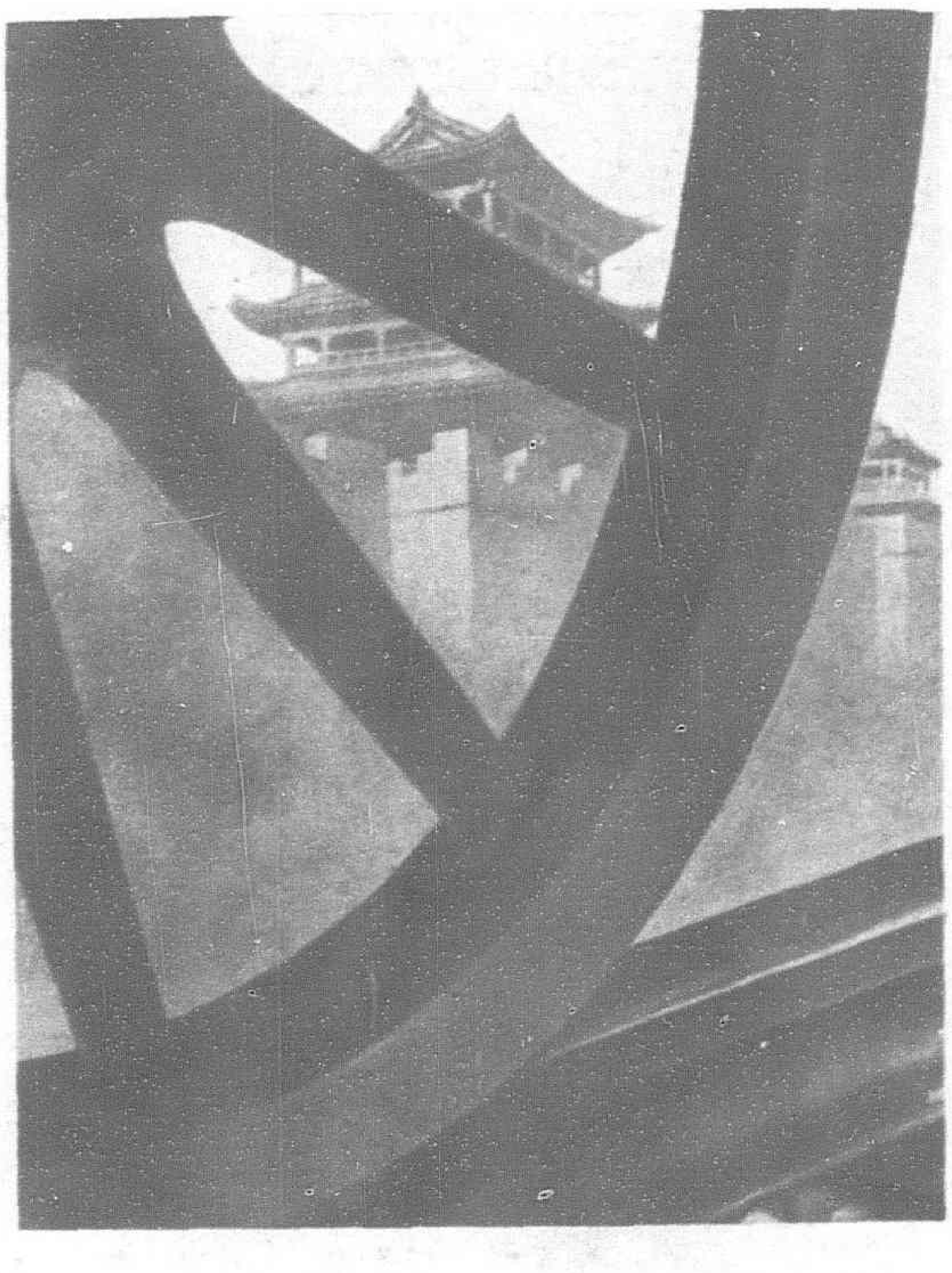

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